TOWN OF PANTEGO, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended September 30, 2016

Prepared by:
Finance Department

TOWN OF PANTEGO, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2016

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INTRODUCTORY SECTION

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1614 S. Bowen Rd.
Pantego, Texas 76013
(817) 617-3700
Fax (817) 617-3726

March 27, 2017

TO: Honorable Mayor and Town Council Members and
the Citizens of the Town of Pantego, Texas:

The comprehensive annual financial report of the Town of Pantego for fiscal year ended September 30, 2016 is hereby submitted. State Law requires that all governmental units publish within six months of the close of the each fiscal year financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited by a licensed public accountant. This report is published to satisfy that requirement and to provide the Town Council, staff, our citizens, bondholders and other interested parties with detailed information concerning the financial condition and activities of the Town government.

Responsibility for both accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. The Town is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft or misuse and to insure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Town. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

State Law requires the Town's basic financial statements to be audited by independent certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Town are presented fairly, in all material respects, for the fiscal year ended September 30, 2016. This independent audit involved examining, on a test basis, evidence supporting the amount and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. George, Morgan and Sneed, P.C., Certified Public Accountants, performed the required audit and have issued an unmodified ("clean") opinion on the Town of Pantego's financial statements for the year ended September 30, 2016. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent's auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

THE REPORTING ENTITY

Pantego incorporated in 1952 as a village, but changed to a Type A General Law city in 1967. Pantego is located in Tarrant County and is entirely surrounded by the cities of Arlington and Dalworthington Gardens. It is located in the middle of the Dallas-Fort Worth Metroplex, a metropolitan area spanning several counties. General Law cities are smaller cities, most of which are less than 5,000 in population. All General Law cities operate according to specific state statutes prescribing their powers and duties. General Law cities are limited to doing what the state authorizes or permits them to do. If state law does not grant General Law cities the express or implied power to initiate a particular action, none may be taken.

The governing body of a municipality operating as a Type A General Law municipality is known as the "City Council" and if the city has not been divided into wards, the governing body always consists of a Mayor and five Council members. Under this form of government, the Mayor and five Council members are elected at large for staggered two-year terms on the second Saturday in May. All members serve without compensation. The Mayor and City Council appoint the City Manager, City Secretary, Town Attorney, and all who serve on the Town's Boards and Commissions. The City Manager in turn appoints the heads of various departments.

In 1980, the Town adopted a Council-Manager form of government. The basic structure of the Council-Manager plan is similar to that of a private corporation, in which the stockholders elect a board of directors which then hires a president to run the company. Under the Council-Manager plan, the voters elect a City Council which, in turn, hires a City Manager to administer the Town's day-to-day affairs. The Town Council serves as the legislative body; sets policy, approves an annual operating budget, sets the tax rate, and determines the size of the payroll and the extent and cost of municipal services. In short, the Council is the final authority on all of the many policy decisions that determine the scope and functions of the Town government.

The Town provides a full range of services. These include public safety (police and fire), municipal court, public works, community development and general administrative services. In addition, the Town owns and operates a water and sewer distribution system.

The basic financial statements of the Town include all governmental activities, organizations and functions for which the Town is financially accountable. The criteria considered in determining governmental activities to be reported within the Town's basic financial statements are based upon and consistent with those set forth in the Codification of Governmental Accounting and Financial Reporting Standards. Component units are legally separate organizations that a primary government must include as a part of its financial reporting entity. The government-wide financial statements include not only the Town itself (known as the primary government), but also include the Pantego Economic Development

Corporation (PEDC) as a discretely presented component unit. The discretely presented component unit is presented in a separate column in the government-wide financial statements.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

In developing and evaluating the Town's accounting system, consideration is given to the accuracy of internal control over financial reporting. These controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from the control. The evaluation of costs and benefits requires estimates and judgments by management. We believe the Town's current system of internal control over financial reporting adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

In addition to the system of internal controls, the Town maintains budgetary controls. The objective of these budgetary controls is to ensure compliance of legal provisions embodied in the annual appropriated budget adopted by the Town Council. Budgetary controls are exercised at the departmental level. If necessary, the original adopted budget is modified to incorporate into a proposed mid-year budget, which is then used as the working budget for the remainder of the fiscal year.

LOCAL ECONOMY

The Town of Pantego's location between Dallas and Fort Worth is ideal for business and residents. The North Texas region possesses diverse research and educational institutions, logistics, oil and gas, manufacturing and industrial, and a professional services base that has contributed to the relative stability of the unemployment rate. Overall, the North Texas region has fared better than the nation as a whole. Relative low taxes, housing and energy costs make the area attractive to business, with the additional enticement that Texas has no state personal income tax.

As it is widely recognized, revenue sources for municipalities are primarily derived from Ad-Valorem (Property), sales and use taxes. Combined, property and sales tax funded approximately 70.4% of the General Fund maintenance and operation expenditures for Fiscal Year 2016. Sales tax revenue is the largest source of income for the Town of Pantego. Sales taxes exceeded Fiscal Year 2016 budgetary projection by almost 21.7%. The Town of Pantego and the PEDC are committed to the support and growth of the local economy. Rich with an eclectic mix of small businesses and national retailers, the Town and PEDC seek new investments and redevelopment that build on the abundant strengths already present in the community. To assist in this effort, PEDC continues the use of several valuable business assistance tools, such as economic incentives and small business grants.

On July 2014, both PEDC and the Town Council unanimously voted to officially join the Arlington Chamber of Commerce. The Investment in becoming part of the Chamber's President Advisory Council continues to provide significant new resources to Pantego's businesses. The Chamber has expanded its

marketing and communications tools to further elevate the Pantego business community and deliver unique services for businesses to access new customers, capital and continuing education. These resources continue to enhance the Town's proactive visionary attitude toward business development, retention and quality of life and its mission on building an economically sustainable community.

LONG-TERM FINANCIAL PLANNING

Multi-year models projecting revenues and expenditures/expenses beyond the current year have been developed for all of the operational funds of the Town. Assumptions have been developed for future tax rates and charges for services as well as projections for expenditures/expenses. Each possible program addition or change is analyzed in terms of impact over a five year window as part of the budget package decision making process. The models also enable the Town to make assumptions about the future debt capacity of the operational funds. The Town has also identified projects based on their critical nature and the timeliness of available financing for these projects. The Town Council continues its strategic planning process to identify goals and objectives for long-range planning. Directives from Council are utilized to help guide the budget planning and service/program implementation.

BUDGETING PROCESS

State Law requires that an operating budget be adopted prior to the first day of the fiscal year beginning October 1st. The Town's budget process is a six month cycle, which begins in early April and ends in late September. Departments submit budget proposals by early May and during the months of May and June the City Manager and the Finance Director develop the recommended budget based on the directives received by Council.

The Town of Pantego uses a program-base budgeting process. Each budgeting unit/department is given a target "baseline" funding level based upon the previous year's funding level. With a few exceptions, no capital assets, wages and benefits, or one-time packages are included in the baseline funding. Any funding request that represents new expenditures and programs, or that is in excess of baseline funding, must be submitted as a separate request or "package." These packages may be either a new or restoration request of resources, depending upon the budgeting unit's funding target.

The budget revenue projections for the new fiscal year begin early in the current fiscal year. The projections are made by the departments responsible for the revenues with help from the Finance Director. Projections are based upon consultations with state and local agencies, trend analysis, anticipated changes in the local and regional economy, and discussions with directly associated staff members. Although revenue projections are prepared early in the budget process, the budget revenue analysis continues with departmental budget development and extends until the budget is adopted based upon any new information. Given revenue projections and baseline funding requirements, budget funding changes are made according to necessity and priority. A total recommended funding level is determined and is weighed against available resources.

Prior to August, the City Manager submits to the Council a proposed budget of expenditures and the means to finance them for the next year. The Council holds workshop meetings and public hearings on the proposed budget to receive citizen feedback and make final determinations about the eventual adopted budget. Prior to September 30th, the budget is legally enacted through the favorable passage of an appropriation ordinance. The budget may be amended during the year only after complying with the notice procedure called for adopting of the budget.

The City Manager is authorized to make line-item and departmental budget adjustments during the year in order to avoid over-expenditures of particular line items. Adjustments require no further Council action if the total appropriation for each fund as set forth in the adopted budget is not exceeded. Expenditures in excess of the adopted appropriations for each fund require budget amendments in accordance with Town Policy. Budget maintenance is a year-round activity of divisions/departments and the Finance Director. Spending control mechanisms during the year include monthly review of expenditures and financial reports to Town Council. Finally, program goals, objectives and measures are evaluated during the budget implementation to determine effectiveness of program activities and levels of appropriate funding for subsequent years.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Pantego for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2015. This award recognizes conformance with the highest standards for preparation of state and local government financial reports. A Certificate of Achievement is valid for a period of one year only. This was the second year for which the Town of Pantego received this prestigious award. We believe our current Comprehensive Annual Financial Report conforms to the Certificate of Achievement Program requirements and consequently we will be submitting to the GFOA to determine its eligibility.

The preparation of this report could not be accomplished on a timely basis without the efficient and dedicated endeavors of the entire Town staff. We would like to express our sincere appreciation to all employees who contributed to the preparation. We would also like to thank the Mayor and Town Council for their support in planning and conducting the financial operations of the Town in a responsible manner.

Respectfully submitted,

Matthew Fielder
City Manager

Karen Hollingsworth, MPA/CGFO
Finance Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Pantego

Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

TOWN OF PANTEGO, TEXAS
LIST OF PRINCIPAL OFFICIALS
SEPTEMBER 30, 2016

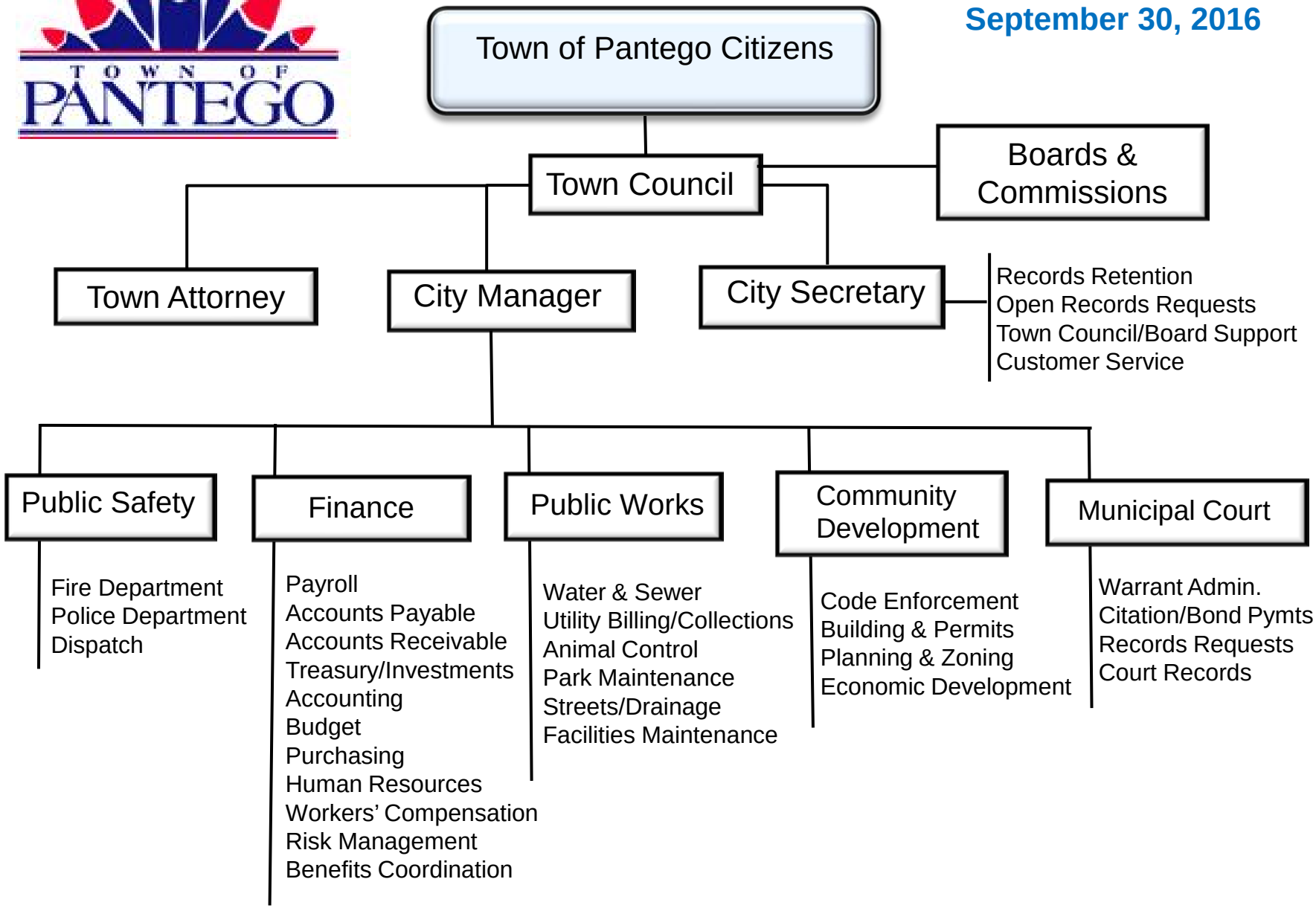
GOVERNING BODY
Elected Officials

Mayor	Melody Paradise
Councilmember/Mayor Pro Tem	Don Surratt
Councilmember	Fred Adair
Councilmember	Don Funderlic
Councilmember	Jane Barrett
Councilmember	Russell Brewster

ADMINISTRATION
City Officials

City Manager	Matthew Fielder
City Secretary	Julie Arrington
Finance Director	Karen Hollingsworth
Public Works Director	Scott Williams
Community Development Director	Dennis Jobe
Chief of Public Safety	Tom Griffith
Assistant Chief of Police	Barry Reeves
Assistant Fire Chief	Robert Coker
Municipal Court Administrator	Thressa Householder
Legal Counsel	Jim Jeffrey

Organizational Chart
September 30, 2016



FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Pantego, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Town of Pantego, Texas, (the "Town") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, and Texas Municipal Retirement System pension information on pages 7 – 18 and pages 63-67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records

used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards general accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2017, on our consideration of the Town of Pantego, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Pantego, Texas' internal control over financial reporting and compliance.

George, Morgan & Knee, P.C.

Weatherford, Texas
March 15, 2017

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MANAGEMENT'S DISCUSSION & ANALYSIS

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This section of the Town of Pantego (the "Town") annual financial report presents our discussion of the Town's financial performance during the fiscal year ended September 30, 2016. The management's discussion and analysis is supplemental to, and should be considered, along with the Town's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflow of resources of the Town of Pantego exceeded its liabilities and deferred inflow of resources at the close of the most recent fiscal year by $10,754,866 (net position) compared to $10,913,766 for the prior year. Of this amount, $2,194,542 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.

- The Town's total net position decreased by $158,900. The Town's governmental activities net position decreased by $109,839 and the business-type activities net position decreased by $49,061.

- As of the close of the current fiscal year, the Town of Pantego's governmental funds reported combined ending fund balances of $4,729,073 which is an increase of $63,456 from the prior year.

- As of the close of the current fiscal year, unassigned fund balance for the general fund was $2,483,019, 236 days or 65% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide Financial Statements - Government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing related to cash flows. Thus, revenues and

expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. (e.g., earned but unused vacation leave).

In the Statement of Net Position and the Statement of Activities we divide the Town into two (2) kinds of activities:

- *Governmental Activities*: Most of the Town's basic services are reported here, including the police, fire, street maintenance, municipal court and general administration. Property tax, sales tax, charges for services, franchise fees, and fines and forfeitures provide the majority of the funding for these activities.

- *Business-type Activities*: The Town charges a fee to customer to help it cover all or most of the cost of certain services it provides. The Town's water and sewer system are reported here.

The government-wide financial statements include not only the Town itself (known as the primary government), but also a legally separate Economic Development Corporation for which the Town is financially accountable. The Pantego Economic Development Corporation (P.E.D.C.) accounts for the local sales tax used to stimulate the local economy, development, and redevelopment. Financial information for this component unit is reported separately from the financial information presented for the primary government. Additional information on the component unit can be found in Note 1 in the notes to the basic financial statements.

The government-wide financial statements can be found on Exhibits A-1 and B-1 of this report.

Fund Financial Statements - The fund financial statements provide detailed information about the most significant funds – not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law or bond covenants. The Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds - These funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near term inflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, street improvement fund and the Park Row project fund, which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Town adopts annual appropriated budgets for the general fund, special revenue funds, debt service funds and capital projects funds. A budgetary comparison schedule has been provided for all budgeted funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on Exhibits C-1 through C-4 of this report.

Proprietary Funds – Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Services for which the Town charges customers a fee are generally reported in proprietary funds. The Town uses an enterprise fund, the Water and Sewer Fund to account for its operations. The proprietary fund financial statements provide information on the Town's utility (water and sewer) system, which is considered to be a major fund of the Town. The basic proprietary fund financial statements can be found on Exhibits D-1 through D-3 of this report.

Notes to the Basic Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the basic financial statements.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by $10,754,866 as of September 30, 2016. Below is a summary of the Town's Statement of Net Position.

CONDENSED STATEMENT OF NET POSITION
At September 30, 2016

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	$ 5,308,177	$ 5,355,551	$ 1,250,976	$ 1,705,988	$ 6,559,153	$ 7,061,539
Capital assets	5,069,724	5,196,201	1,949,812	1,758,984	7,019,536	6,955,185
Total assets	10,377,901	10,551,752	3,200,788	3,464,972	13,578,689	14,016,724
Deferred outflow of resources	1,067,348	341,226	127,088	31,535	1,194,436	372,761
Long-term liabilities	3,356,683	2,659,535	316,297	163,828	3,672,980	2,823,363
Other liabilities	147,697	176,721	140,122	412,974	287,819	589,695
Total liabilities	3,504,380	2,836,256	456,419	576,802	3,960,799	3,413,058
Deferred inflow of resources	51,346	57,360	6,114	5,301	57,460	62,661
Net Position:						
Net investment in capital assets	4,485,022	4,411,384	1,949,812	1,758,984	6,434,834	6,170,368
Restricted	2,125,490	2,393,547	-	-	2,125,490	2,393,547
Unrestricted	1,279,011	1,194,431	915,531	1,155,420	2,194,542	2,349,851
Total net position	$ 7,889,523	$ 7,999,362	$ 2,865,343	$ 2,914,404	$ 10,754,866	$ 10,913,766

The largest portion of the Town's net position $6,434,834 (59.8%) reflects its net investment in capital assets (e.g. land, buildings, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The Town uses these assets to provide service to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position $2,125,490 (19.8%) represents resources that are subject to external restriction on how they may have been used. The remaining balance of unrestricted net position $2,194,542 (20.4%) may be used to meet the government's ongoing obligation to citizens and creditors. At the end of the fiscal year, the Town was able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The following table provides a summary of the Town's operations for the year ended September 30, 2016.

CHANGES IN NET POSITION
At September 30, 2016

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for services	$1,090,621	$1,295,013	$1,236,588	$1,223,699	$ 2,327,209	$ 2,518,712
Operating grants and contributions	53,649	21,850	-	-	53,649	21,850
Capital grants and contributions	-	306,234	-	60,097	-	366,331
General Revenues:						
Taxes:						
Property taxes	1,056,398	1,035,238	-	-	1,056,398	1,035,238
Sales tax	1,974,220	1,814,089	-	-	1,974,220	1,814,089
Franchise tax	334,925	315,694	-	-	334,925	315,694
Investment earnings	14,237	6,036	2,096	1,270	16,333	7,306
Other	73,802	15,375	-	-	73,802	15,375
Gain on retirement of capital assets	-	13,212	-	-	-	13,212
Total revenues	4,597,852	4,822,741	1,238,684	1,285,066	5,836,536	6,107,807
Expenses						
General and administrative	506,739	554,904	-	-	506,739	554,904
Public works	895,132	672,640	-	-	895,132	672,640
Community development	139,358	112,189	-	-	139,358	112,189
Police	1,382,204	1,243,279	-	-	1,382,204	1,243,279
Fire	1,247,185	1,141,976	-	-	1,247,185	1,141,976
Municipal court	372,869	369,205	-	-	372,869	369,205
Other	136,147	138,389	-	-	136,147	138,389
Interest and fiscal agent charges	28,057	30,149	-	-	28,057	30,149
Water and sewer	-	-	1,287,745	1,109,880	1,287,745	1,109,880
Total expenses	4,707,691	4,262,731	1,287,745	1,109,880	5,995,436	5,372,611
Increase (decrease) in net position before transfers	(109,839)	560,010	(49,061)	175,186	(158,900)	735,196
Transfers	-	(605,606)	-	605,606	-	-
Increase (decrease) in net position	(109,839)	(45,596)	(49,061)	780,792	(158,900)	735,196
Net position - beginning restated	7,999,362	8,044,958	2,914,404	2,133,612	10,913,766	10,178,570
Net position - ending	$7,889,523	$7,999,362	$2,865,343	$2,914,404	$10,754,866	$10,913,766

Governmental Activities – Governmental activities decreased the Town's net position by $109,839 in the current year compared to a $45,596 decrease in the prior year. Total governmental activities revenues decreased by $224,889 (4.7%) primarily due to decreases in charges for services and capital grants that were partially offset by increases in sales tax revenues. 2016 fiscal year expenses increased by $444,960 (10.4%) over the prior fiscal year.

Business-type Activities – Business-type activities decreased the Town's net position by $49,061 in the current year compared to an increase in net position of $780,792 in the prior year. Total revenues decreased by $46,382 (3.6%). Expenses increased by $177,865 (16.0%) over the prior fiscal year.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds – The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the year.

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of $4,729,073. Approximately 52.5% or $2,483,019 of this total constitutes unassigned fund balance, which is available for spending at the government's discretion. Fund balance of $2,883 is considered nonspendable because it has been used for prepaid items and inventory. A total of $2,243,171, approximately 47.4%, is restricted, committed and assigned due to external limitations on its use, such as by debt covenants, legal, Town Council restrictions, or intention of grantors, donors, or trustees.

The General fund is the chief operating fund of the Town. At the end of the fiscal year, unassigned fund balance of the General fund was $2,483,019. It is useful to compare unassigned fund balance to total fund expenditures as a measure of liquidity. Unassigned fund balance represents approximately 65% or 236 days of total general fund expenditures. The ending fund balance in the general fund increased by $358,335 compared to a $143,395 increase in the prior year.

The Street Improvement fund was created to account for infrastructure maintenance and improvements funded with a .25% (1/4¢) sales tax. Fund balance of the Street Improvement fund decreased by $155,480 to $720,517. Sales tax revenue increased $26,783 (8.9%) from the previous year. Expenditures for street maintenance and improvements were $396,503.

The Park Row Project fund was created to help centralize revenues, transfers and expenditures related to the rehabilitation of the Park Row corridor. Fund balance of the Park Row Project fund decreased by $5,373. Expenditures during the fiscal year for the Park Row Project totaled $9,397.

Proprietary Funds – The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Water and Sewer fund, which combined comprises the Water and Sewer Operating, Construction and Water Infrastructure funds, at the end of the fiscal year amounted to $915,531. The Water and Sewer fund is considered a major fund of the Town. Other factors concerning finances of this fund are addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights – During the fiscal year the Town amended its budget once. General Fund revenues exceed budget projections by $298,307 and expenditures were $185,824 less than budgeted.

The following schedule presents a summary of General Fund revenues and expenditures for the fiscal year ended September 30, 2016, and the amount and percentage increase and decrease in relation to the prior fiscal year.

Summary of General Fund Revenues

Revenues	Fiscal Year 2016	Percent of Total	Increase (Decrease) from prior year	Percentage Increase / (Decrease)
Property tax	$ 1,058,796	24.8%	$ 115,778	12.3%
Sales tax	1,647,730	38.6%	133,348	8.8%
Franchise tax	337,774	7.9%	19,620	6.2%
Fines and forfeitures	753,731	17.7%	(95,605)	-11.3%
Licenses and permits	89,417	2.1%	(10,795)	-10.8%
Ambulance service	124,770	2.9%	(9,585)	-7.1%
Intergovernmental	26,015	0.6%	26,015	100.0%
Charges for services	141,032	3.3%	25,643	22.2%
Contributions and donations	2,884	0.1%	2,884	100.0%
Investment earnings	7,909	0.2%	3,905	97.5%
Miscellaneous	73,802	1.7%	34,620	88.4%
Total	$ 4,263,860	100.0%	$ 245,828	6.1%

Overall, General Fund revenues increased by $245,828, or 6.1% over the prior fiscal year. Most significantly, property and sales tax revenue increased $115,778 and $133,348 respectively, however fines and forfeitures revenue decreased $95,605.

Summary of General Fund Expenditures

Expenditures	Fiscal Year 2016	Percent of Total	Increase (Decrease) from prior year	Percentage Increase (Decrease)
General and administrative	$ 444,827	11.6%	$ (80,546)	-15.3%
Public works	435,894	11.3%	85,486	24.4%
Community development	130,644	3.4%	16,965	14.9%
Police	1,203,351	31.3%	49,665	4.3%
Fire	1,077,145	28.0%	47,743	4.6%
Municipal Court	336,629	8.8%	(8,514)	-2.5%
Other	22,272	0.6%	2,036	10.1%
Debt service	195,740	5.1%	191,271	4280.0%
Total	$ 3,846,502	100.0%	$ 304,106	8.6%

General Fund expenditures increased by $304,106, or 8.6% over the prior year. The Police and Fire departments increased primarily due to raises and overtime. Debt service increased because the capital leases were paid from the general fund in 2016 but from the debt service fund in 2015.

CAPITAL ASSETS

The Town's net investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounts to $7,019,536. Major capital asset purchases and projects completed during the fiscal year included the following:

Governmental activities:

- Wagon Wheel street and bridge improvements $233,027;
- (3) police department vehicles $132,163;
- (1) fire department vehicle $34,253.

Business-type activities:

- Completion of Wagon Wheel water and sewer line improvements $117,700;
- North Parkway water main replacement $139,540;
- Pipe inspection equipment $32,898;
- Pacific Tek Valve Operator Trailer $49,188.

CAPITAL ASSETS
(NET OF DEPRECIATION)
At Year End

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	$ 211,263	$ 211,263	$ 61,971	$ 61,971	$ 273,234	$ 273,234
Construction in progress	24,398	21,711	177,089	266,791	201,487	288,502
Buildings	909,912	964,628	-	-	909,912	964,628
Improvements	455,079	536,249	1,710,752	1,430,222	2,165,831	1,966,471
Machinery and equipment	1,364,832	1,418,057	-	-	1,364,832	1,418,057
Infrastructure	2,104,240	2,044,293	-	-	2,104,240	2,044,293
Total	$ 5,069,724	$ 5,196,201	$ 1,949,812	$ 1,758,984	$ 7,019,536	$ 6,955,185

Additional information on the Town's capital assets can be found in Note 6 in the notes to the basic financial statements.

LONG TERM DEBT

At the end of the current fiscal year, the Town had a total of $584,702 in outstanding bonded debt and capital leases. Of this amount, $90,000 comprises bonded debt secured by a combination of property taxes and a limited pledge of other revenues. Outstanding capital lease obligations of $494,702 is related to the purchase of machinery and equipment financed through capital leases.

OUTSTANDING DEBT
At Year End

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Certificates of obligation bonds	$ 90,000	$ 120,000	$ -	$ -	$ 90,000	$ 120,000
Capital lease obligations	494,702	664,817	-	-	494,702	664,817
Total	$ 584,702	$ 784,817	$ -	$ -	$ 584,702	$ 784,817

Additional information on the Town's capital assets can be found in Note 8 in the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Although the nationwide economic forecast for the future continues to be uncertain, the Town continues to remain in a viable position. Continued trends in sales tax revenue seem to indicate the local economy may be rebounding. Overall, the Town experienced an 8.9% increase in sales tax revenue compared to the prior fiscal year. The Town's efforts towards economic development, attracting new retail businesses and redeveloping existing properties, continue to be a major focus now and for years to come.

The Town's property tax rate remained unchanged at $0.42 per $100 taxable value for fiscal year 2017. The Town does, however, expect an overall increase in property tax revenue in the upcoming fiscal year due to increased valuations and additions to the tax base. In Fiscal Year 2017, General Fund revenues are projected to increase 9.2% over Fiscal Year 2016 projected revenues, while expenditures are expected to increase by 8.8% over Fiscal Year 2016 estimated expenditures.

A grant award from the Texas Parks and Wildlife Department (TPWD) in the amount of $75,000 was received for equipment additions and improvements to Bicentennial Park. The completion of improvements to our park facilities and the repair and upgrade of the Town's streets and roads continue to be a top priority for Council and staff. The most significant activity the Town will undertake in the upcoming year will be the improvements to the park, completion of the redevelopment of Park Row and other scheduled street improvements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances. Questions concerning any of the information provided in this report or requests for additional information may be obtained by contacting the Town of Pantego, Attn: Finance Department, 1614 South Bowen Rd, Pantego, Texas 76013. This information can also be accessed on the Town of Pantego's website at www.townofpantego.com.

BASIC FINANCIAL STATEMENTS

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Town of Pantego, Texas **Exhibit A-1**
Statement of Net Position
September 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Pantego Economic Development Corporation
ASSETS:				
Cash and cash equivalents	$ 4,474,829	$ 685,957	$ 5,160,786	$ 751,442
Receivables, net:				
Property tax	46,445	-	46,445	-
Sales tax	328,304	-	328,304	109,435
Franchise tax	168,486	-	168,486	-
Accounts	251,054	272,130	523,184	-
Other	22,251	161,736	183,987	68,099
Accrued interest	3,404	1,307	4,711	-
Due from other governments	10,521	-	10,521	-
Other assets	197	-	197	-
Inventory	2,686	11,445	14,131	6,756
Restricted assets:				
Cash and cash equivalents	-	118,401	118,401	-
Capital assets:				
Non-depreciable	235,661	239,060	474,721	63,961
Depreciable, net of accumulated depreciation	4,834,063	1,710,752	6,544,815	-
Total assets	$ 10,377,901	$ 3,200,788	$ 13,578,689	$ 999,693
Deferred outflow of resources				
Employee pensions	$ 1,067,348	$ 127,088	$ 1,194,436	$ -
LIABILITIES:				
Accounts payable	$ 51,147	$ 21,721	$ 72,868	$ 4,001
Accrued payroll liabilities	53,969	-	53,969	-
Other liabilities	35,297	-	35,297	-
Accrued interest payable	7,284	-	7,284	6,394
Customer deposits payable	-	118,401	118,401	-
Noncurrent liabilities:				
Due within one year	304,309	-	304,309	145,000
Due in more than one year	3,052,374	316,297	3,368,671	870,000
Total liabilities	$ 3,504,380	$ 456,419	$ 3,960,799	$ 1,025,395
			-	
Deferred inflow of resources:			-	
Employee pensions	$ 51,346	$ 6,114	$ 57,460	$ -
NET POSITION:				
Net investment in capital assets	$ 4,485,022	$ 1,949,812	$ 6,434,834	$ 63,961
Restricted for: (Expendable)				
Debt service	109,973	-	109,973	-
Capital improvements	1,776,748	-	1,776,748	-
Other purposes	238,769	-	238,769	-
Unrestricted	1,279,011	915,531	2,194,542	(89,663)
Total net position	$ 7,889,523	$ 2,865,343	$ 10,754,866	$ (25,702)

The notes to the financial statements are an integral part of this statement.

Town of Pantego, Texas
Statement of Activities
For the Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental activities:				
General and administrative	$ 506,739	$ 122,887	$ -	$ -
Public works	895,132	-	-	-
Community development	139,358	89,417	-	-
Police	1,382,204	693,865	24,321	-
Fire	1,247,185	122,030	2,590	-
Municipal court	372,869	41,774	-	-
Other	136,147	20,648	26,738	-
Interest and fiscal agent charges	28,057	-	-	-
Total governmental activities	4,707,691	1,090,621	53,649	-
Business-type activities:				
Water and sewer	1,287,745	1,236,588	-	-
Total business-type activities	1,287,745	1,236,588	-	-
Total primary government	$ 5,995,436	$ 2,327,209	$ 53,649	$ -
Component Unit:				
Pantego Economic Development Corporation:				
General and administrative	$ 160,105	$ -	$ -	$ -
Other	67,010	-	-	-
Interest and fiscal agent charges	53,519	-	-	-
Total component unit	$ 280,634	$ -	$ -	$ -
General revenues:				
Taxes:				
Property tax				
Sales tax				
Franchise tax				
Investment earnings				
Other revenue				
Total general revenues and transfers				
Change in net position				
Net position - Beginning				
Net position - Ending				

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Pantego Economic Development Corporation
$ (383,852)	$ -	$ (383,852)	$ -
(895,132)	-	(895,132)	-
(49,941)	-	(49,941)	-
(664,018)	-	(664,018)	-
(1,122,565)	-	(1,122,565)	-
(331,095)	-	(331,095)	-
(88,761)	-	(88,761)	-
(28,057)	-	(28,057)	-
(3,563,421)	-	(3,563,421)	-
-	(51,157)	(51,157)	-
-	(51,157)	(51,157)	-
$ (3,563,421)	$ (51,157)	$ (3,614,578)	$ -
$ -	$ -	$ -	$ (160,105)
-	-	-	(67,010)
-	-	-	(53,519)
$ -	$ -	$ -	$ (280,634)
$ 1,056,398	$ -	$ 1,056,398	$ -
1,974,220	-	1,974,220	652,983
334,925	-	334,925	-
14,237	2,096	16,333	3,279
73,802	-	73,802	735
3,453,582	2,096	3,455,678	656,997
(109,839)	(49,061)	(158,900)	376,363
7,999,362	2,914,404	10,913,766	(402,065)
$ 7,889,523	$ 2,865,343	$ 10,754,866	$ (25,702)

The notes to the financial statements are an integral part of this statement.

Town of Pantego, Texas **Exhibit C-1**
Balance Sheet
Governmental Funds
September 30, 2016

	Major Funds				
	General Fund	**Street Improvement Fund**	**Park Row Project Fund**	**Other Governmental Funds**	**Total Governmental Funds**
ASSETS					
Cash and cash equivalents	$ 2,429,921	$ 664,981	$ 1,056,231	$ 323,696	$ 4,474,829
Receivables, net:					
Property tax	31,889	-	-	14,556	46,445
Sales tax	273,587	54,717	-	-	328,304
Franchise tax	168,486	-	-	-	168,486
Accounts	251,054	-	-	-	251,054
Other	15,705	-	-	6,546	22,251
Accrued interest	1,313	1,307	-	784	3,404
Due from other funds	-	-	-	-	-
Due from other governments	10,521	-	-	-	10,521
Other assets	2,883	-	-	-	2,883
Total assets	$ 3,185,359	$ 721,005	$ 1,056,231	$ 345,582	$ 5,308,177
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE					
Liabilities:					
Accounts payable	$ 47,434	$ 488	$ -	$ 3,225	$ 51,147
Accrued payroll liabilities	53,969	-	-	-	53,969
Due to other funds	-	-	-	-	-
Other liabilities	35,297	-	-	-	35,297
Total liabilities	136,700	488	-	3,225	140,413
Deferred inflows of resources:					
Deferred revenue	424,135	-	-	14,556	438,691
Fund Balance:					
Nonspendable:					
Prepaid items	$ 197	$ -	$ -	$ -	$ 197
Inventory	2,686	-	-	-	2,686
Restricted for:					
Debt service	-	-	-	102,701	102,701
Municipal court	-	-	-	101,017	101,017
Street improvements	-	720,517	-	-	720,517
Park Row project	-	-	1,056,231	-	1,056,231
Animal control services	-	-	-	77,633	77,633
Other purposes	38,622	-	-	21,497	60,119
Committed for:					
Equipment replacement	-	-	-	24,953	24,953
Assigned to:					
Equipment replacement	100,000	-	-	-	100,000
Unassigned	2,483,019	-	-	-	2,483,019
Total fund balances	2,624,524	720,517	1,056,231	327,801	4,729,073
Total liabilities, deferred inflows and fund balance	$ 3,185,359	$ 721,005	$ 1,056,231	$ 345,582	$ 5,308,177

The notes to the financial statements are an integral part of this statement.

Town of Pantego, Texas **Exhibit C-2**
Reconciliation of the Balance Sheet to the Statement of Net Position
September 30, 2016

Total Fund Balance-Governmental Funds			**$ 4,729,073**
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of these assets was $17,795,053 and the accumulated depreciation is $12,725,329.			5,069,724
Property taxes, franchise taxes, ambulance service charges and municipal court fines and fees are not available soon enough to pay for the current period's expenditures and are, therefore, not recognized at the fund level.			438,691
Deferred inflow of resources and deferred outflow of resources related to employee pensions.			1,016,002
Interest payable is not expected to be liquidated with available financial resources, and it is not reported as a liability in the fund financial statements.			(7,284)
Long-term liabilities, including liabilities for compensated absences, bonds payable, obligations under capital leases and net pension liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.			
	Bonds payable	$ 90,000	
	Obligation under capital leases	494,702	
	Compensated absences	115,563	
	Net pension liability	2,656,418	
	Combined adjustment		(3,356,683)
Net Position of Governmental Activities.			**$ 7,889,523**

The notes to the financial statements are an integral part of this statement.

Town of Pantego, Texas **Exhibit C-3**
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2016

	Major Funds				
	General Fund	Street Improvement Fund	Park Row Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	$ 1,058,796	$ -	$ -	$ 1,886	$ 1,060,682
Sales	1,647,730	326,490	-	-	1,974,220
Franchise	337,774	-	-	-	337,774
Fines and forfeitures	753,731	-	-	27,126	780,857
Licenses and permits	89,417	-	-	-	89,417
Ambulance service	124,770	-	-	-	124,770
Intergovernmental	26,015	-	-	-	26,015
Charges for services	141,032	-	-	16,888	157,920
Contributions and donations	2,884	-	-	24,750	27,634
Investment earnings	7,909	1,471	4,024	833	14,237
Miscellaneous	73,802	-	-	14,648	88,450
Total revenues	4,263,860	327,961	4,024	86,131	4,681,976
EXPENDITURES					
Current operations:					
General and administrative	444,827	-	-	-	444,827
Public works	435,894	170,186	-	-	606,080
Community development	130,644	-	-	-	130,644
Police	1,203,351	-	-	-	1,203,351
Fire	1,077,145	-	-	-	1,077,145
Municipal court	336,629	-	-	14,303	350,932
Other	22,272	-	-	77,178	99,450
Capital	-	226,317	9,397	239,887	475,601
Debt service:					
Principal retirement	170,115	-	-	30,000	200,115
Interest and fiscal agent charges	25,625	-	-	4,750	30,375
Total expenditures	3,846,502	396,503	9,397	366,118	4,618,520
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	417,358	(68,542)	(5,373)	(279,987)	63,456
OTHER FINANCING SOURCES (USES)					
Transfers in	206,938	-	-	265,961	472,899
Transfers out	(265,961)	(86,938)	-	(120,000)	(472,899)
Total other financing sources (uses)	(59,023)	(86,938)	-	145,961	-
NET CHANGE IN FUND BALANCES	358,335	(155,480)	(5,373)	(134,026)	63,456
Fund balance - beginning	2,266,189	875,997	1,061,604	461,827	4,665,617
Fund balance - ending	$ 2,624,524	$ 720,517	$ 1,056,231	$ 327,801	$ 4,729,073

The notes to the financial statements are an integral part of this statement.

Town of Pantego, Texas **Exhibit C-4**
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities
For the Year Ended September 30, 2016

Net Change in Fund Balance-Governmental Funds	**$**	**63,456**
Amounts reported for governmental activities in the statement of activities are different because:		
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including $457,030 of capital outlays and $200,115 of debt principal payments is to increase net position.		657,145
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(583,507)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(84,124)
Net pension liability, deferred outflow employee pensions and deferred inflow employee pensions are not reported in the funds. The change in these balances decreased net position.		(151,617)
Current year interest payable and compensated absences of the governmental funds are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Changes in these balances are reported as expenses in the governmental activities of the statement of activities.		(11,192)
Change in Net Position of Governmental Activities.	**$**	**(109,839)**

The notes to the financial statements are an integral part of this statement.

Town of Pantego, Texas **Exhibit D-1**
Statement of Net Position
Proprietary Funds
September 30, 2016

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	$ 685,957
Receivables, net:	
Accounts	272,130
Other	161,736
Accrued interest	1,307
Inventory	11,445
Restricted assets:	
Cash and cash equivalents	118,401
Total current assets	1,250,976
Non-current assets:	
Capital assets:	
Non-depreciable assets	239,060
Depreciable assets, net	1,710,752
Total noncurrent assets	1,949,812
Total assets	3,200,788
Deferred outflow of resources:	
Employee pensions	127,088
LIABILITIES	
Current liabilities:	
Accounts payable	21,721
Current liabilities payable from restricted assets:	
Customer deposits	118,401
Total current liabilities	140,122
Noncurrent liabilities:	
Net pension liability	316,297
Total liabilities	456,419
Deferred inflow of resources:	
Employee pensions	6,114
NET POSITION	
Net investment in capital assets	1,949,812
Unrestricted	915,531
Total net position	$ 2,865,343

The notes to the financial statements are an integral part of this statement.

Town of Pantego, Texas **Exhibit D-2**
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2016

	Water and Sewer Fund
Operating revenues:	
Water sales	$ 490,400
Sewer charges	370,687
Groundwater conservation fees	40,414
Infrastructure improvement fees	312,177
Late payment charges	14,364
Miscellaneous	8,546
Total operating revenues	1,236,588
Operating expenses:	
Personnel	406,978
Utilities	150,103
Maintenance and repairs	106,910
Franchise fees	38,048
Other	33,951
Sewage treatment - other governments	368,333
Depreciation	183,422
Total operating expenses	1,287,745
Operating income (loss)	(51,157)
Non-operating revenues (expenses):	
Investment earnings	2,096
Total non-operating revenue	2,096
Change in Net Position	(49,061)
Net position - beginning	2,914,404
Net position - ending	$ 2,865,343

The notes to the financial statements are an integral part of this statement.

Town of Pantego, Texas **Exhibit D-3**
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2016

		Water and Sewer Fund
Cash flows from operating activities:		
Cash received from customers	$	1,074,623
Cash paid to suppliers for goods and services		(690,353)
Cash paid to employees for services		(349,249)
Cash paid to other funds for interfund services provided		(38,048)
Net cash provided by operating activities		(3,027)
Cash flow from capital and related financing activities:		
Acquisition and construction of capital assets		(604,969)
Net cash used by capital and related financing activities		(604,969)
Cash flows from investing activities:		
Investment earnings		1,824
Net cash provided by investing activities		1,824
Net increase (decrease) in cash and cash equivalents		(606,172)
Cash and cash equivalents, beginning		1,410,530
Cash and cash equivalents, ending	$	804,358
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$	(51,157)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense		183,422
Increase in accounts receivable		(153,715)
Decrease in accounts payable		(42,427)
Decrease in employee accrued liabilities		57,729
Decrease in inventories and supplies		2,826
Increase in customer deposits payable		295
Net cash provided by operating activities	$	(3,027)
Reconciliation of total cash and cash equivalents:		
Current assets:		
Cash and cash equivalents	$	685,957
Restricted assets - cash and cash equivalents		118,401
Total cash and cash equivalents	$	804,358

The notes to the financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Pantego, Texas (the "Town") was incorporated January 5, 1952, and operates under a Council-Manager form of government providing the following services as a duly incorporated general law city as authorized by the general laws of the State of Texas and subsequent Town ordinances: public safety (police, fire and ambulance), streets and bridges, sanitation, water and sewer, public improvements, planning and zoning, and general administrative services.

The accounting policies of the Town of Pantego, Texas, conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board, which is the recognized financial accounting standard setting body of governmental entities. The notes to the financial statements are an integral part of the Town's financial statements.

As required by Generally Accepted Accounting Principles (GAAP), these financial statements present the Town and its component units, entities for which the Town is considered financially accountable or other organizations whose nature and significant relationship with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete. The Town is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Town.

The financial statements include one discretely presented component unit which has a September 30th year-end. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Town.

Discretely Presented Component Unit

The Pantego Economic Development Corporation (PEDC) was created under the Development Corporation Act of 1979 and is governed by Section 4B of the Act. The PEDC is governed by a Board of Directors comprised of members of Town Council and members appointed by the Town Council. Capital improvement projects undertaken by the PEDC are for the benefit of the Town. The PEDC may not issue debt without approval of the voters of the Town and the Town Council. The Town must approve changes to the PEDC's articles of incorporation, may unilaterally terminate the PEDC and has residual interest in the net position of the PEDC. The PEDC activities are reported herein as the PEDC Sales Tax Revenue Special Revenue Fund, PEDC Debt Service Fund, and PEDC Operating Fund. The PEDC is reported as a discretely presented component unit in the statement of net positions and statement of activities.

Flow of Revenue – PEDC – Sales tax is the significant source of revenue for PEDC. Sales tax receipts are initially recorded in the PEDC Sales Tax Revenue fund as sales tax revenue. Transfers are used to transfer cash to the PEDC Debt Service fund as needed to maintain a required reserve and to make debt service payments as they become due. Transfers are also used to transfer cash in excess of debt service needs to the PEDC Operating fund.

1. Summary of Significant Accounting Policies (Continued)

Governmental accounting standards require reasonable separation between the primary government and it's discretely presented component units, both in the financial statements and in the related notes. Because discretely presented component units, although legally separate, have been and are operated as if each is part of the primary government, there are limited instances where special note reference or separation will be required. If no separate note reference or categorization is made, the user should assume that information presented is equally applicable.

B. Government-wide and Basic Financial Statements

The basic financial statements include both government-wide financial statements (based on the Town as a whole) and fund financial statements. The focus is on either the Town as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to what is being measured and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

1. Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property, franchise, sales and investment income (including unrealized gains and losses) are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The Town reports the following major governmental funds:

The ***General Fund*** is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The ***Street Improvement Fund*** accounts for .25% (1/4 ¢) sales tax used for infrastructure maintenance and improvement.

The ***Park Row Project Fund*** was created to account and centralize both revenues, transfers and expenditures of the Park Row Project throughout the duration of the project. The project consists of the rehabilitation of the Park Row corridor which is to include new streets, sidewalks, waterlines, lighting and crosswalks.

The Town reports the following major enterprise funds:

The ***Water and Sewer Fund*** is used to account for the provision of water and sewer services to residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, capital improvements, billing and collection.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and wastewater fund and various other funds of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various funds concerned.

1. Summary of Significant Accounting Policies (Continued)

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue and interest income.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first and then unrestricted resources as they are needed.

D. Assets, Liabilities, Deferred Outflows/Inflows, Fund Balance and Net Position

1) Cash and Cash Equivalents – The Town pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments that are highly liquid with maturity within three months or less when purchased. Amounts invested in Tex-Pool public investment pools are considered cash and cash equivalents. Assets reported as cash and investments are considered cash and cash equivalents for the statement of cash flows.

2) Receivables and Payables – Interfund transactions result between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances" line of the government wide statement of net position.

3) Unbilled Service – Utility operating revenues (water and sewer) are billed on monthly cycles. The Town records estimated revenues for services delivered during the fiscal year, which will be billed during the next fiscal year. Accounts receivable in the water and sewer fund includes $156,442 of earned but unbilled revenue.

4) Inventory and prepaid items – Inventories consist of expendable supplies held for consumption. The inventory of supplies are recorded under the purchase method. Under the purchase method the inventory is first recorded as an expense when purchased and then adjusted at the end of the year to reflect the value of inventory to date. Inventories, which are expensed as they are consumed, are stated at the lower of cost or market on a first-in, first-out (FIFO) method.

1. Summary of Significant Accounting Policies (Continued)

In the General Fund, certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the government wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5) Capital assets – Capital assets, which include land, buildings, improvements, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), purchased or acquired, are carried at historical cost or estimated historical cost if historical cost is not available. Contributed assets are recorded at fair market value as of the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

   The Town defines capital assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Intangible assets with definite lives are recorded at cost and amortized over the useful lives. Intangible assets with indefinite lives are recorded at cost and no amortization is taken.

   Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

Buildings	5 – 50 years
Improvements other than buildings	3 – 30 years
Machinery, equipment and furniture	3 – 10 years
Water & sewer system infrastructure	5 – 50 years
Street and storm drainage infrastructure	10 – 40 years

   Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest accrued during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

6) Compensated absences – It is the Town's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick benefits. No sick pay benefits are paid upon separation from service and therefore have been accrued in the financial statements. All vacation pay benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and/or retirements.

7) Long-term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fun type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed.

1. Summary of Significant Accounting Policies (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance cost, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8) Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9) Deferred outflows/inflows of resources – Deferred outflows and inflows of resources are reported in the statement of financial position as described below:

A *deferred outflow of resources* is a consumption of a government's net position (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period and will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category:

- Deferred outflow of resources for employee pensions reported in the government wide and proprietary fund statements of net position.

A *deferred inflow of resources* is an acquisition of a government's net position or fund balance (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two items that qualify for reporting in this category:

- Deferred inflow of resources for unavailable (deferred) revenues reported only in the governmental funds balance sheet for unavailable revenues from property taxes, franchise taxes, ambulance services and municipal court fines and forfeitures under the modified accrual basis of accounting. These amounts are deferred and recognized as inflow of resources in the period that the amounts become available.

- Deferred inflow of resources for employee pensions reported in the government wide and proprietary fund statements of net position.

1. Summary of Significant Accounting Policies (Continued)

10) Fund Balance – Governmental Funds – Fund balance is divided into five classifications based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form (such as prepaids and inventory) or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments imposed or is imposed by law through constitutional provisions or enabling legislation. Legal enforceability means that the Town can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed – The committed fund balance classifications includes amounts that can be used only for the specific purposed imposed by formal action (ordinance or resolution) or Town Council. Those committed amounts cannot be used for any other purpose unless Town Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. The Town Council has the authority to assign amounts for specific purposes.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications.

The Town applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, or unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Minimum Fund Balance Policy – It is the goal of the Town that unassigned fund balance of the General Fund should be at least 90 days (24.66%) of General Fund annual expenditures. In order to adhere to the principles of matching current revenues with current expenditures and minimizing property taxes, the Town will take action to reduce the fund balance if the unassigned fund balance grows beyond 120 days of expenditures. As of September 30, 2016 the General Fund had 236 days or 65% annual expenditures in the unassigned fund balance.

1. Summary of Significant Accounting Policies (Continued)

11) Net Position – Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The following is a reconciliation of restricted fund balance reported in governmental fund financial statements to restricted net position of the governmental activities reported in the government-wide financial statements.

Restricted Fund Balance (Exhibit C-1)	$	2,118,218
Adjustments:		
Accrued interest payable restricted for debt service		(7,284)
Deferred property tax revenue restricted for debt service		14,556
Total adjustments		7,272
Restricted Net Position (Exhibit A-1)	$	2,125,490

Deficit Net Position - Net positon of the PEDC component unit are negative $25,702 because the PEDC has $1,015,000 of sale tax revenue bonds outstanding that were used to construct capital assets for the governmental activities. These capital assets were transferred to the governmental activities upon completion. The Town expects subsequent period revenues to eliminate this deficit.

12) Management's Use of Estimates – The preparation of financial statements, in conformity with Generally Accepted Accounting Principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

13) Reclassifications – Certain accounts and funds in the prior fiscal year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

E. Accounting Pronouncements

During fiscal year 2016, the Town of Pantego adopted the following Governmental Accounting Standards Board (GASB) Statements:

Statement No. 72, *Fair Value Measurement and Application* – This Statement addresses accounting and financial reporting issues related to fair value measurements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed

1. Summary of Significant Accounting Policies (Continued)

E. Accounting Pronouncements (continued)

definition of fair value and accepted valuation techniques. This Statement will also enhance fair value application guidance related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

The GASB has issued the following statements which will be effective in future years as described below:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 77, *Tax Abatement Disclosures* - The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

2. CASH AND CASH EQUIVALENTS

Substantially all operating cash and investments are maintained in consolidated cash and investment accounts. Investment income related to consolidated investments is allocated to the individual funds monthly based on the funds' pro-rata share of total cash and investments. Cash and investments as of September 30, 2016, are classified in the statement of net position as cash and cash equivalents and restricted cash and cash equivalents. Cash and cash equivalents as of September 30, 2016 consist of the following:

2. Cash and cash equivalents – Investments (continued)

Cash	$	137,135
Certificates of deposit		907,309
TexPool		2,028,896
TexPool Prime		2,205,847
Total primary government	$	5,279,187

Cash	$	330,868
TexPool		420,574
Total component unit	$	751,442

Deposits

State statutes authorize the Town's cash to be deposited in demand deposits, time deposits, or certificates of deposit, and require that all deposits be fully collateralized or insured. The depository bank places approved pledge securities for safekeeping and trust with the Town's agent bank in an amount sufficient to protect the Town's funds on a day-to-day basis.

Custodial Credit Risk – Deposits - Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town's policy requires that all deposits with financial institutions must be collateralized to the extent not protected by the Federal Deposit Insurance Corporation ("FDIC") insurance. The PEDC deposits are secured by a separate pledge of securities and FDIC insurance. At September 30, 2016, the Town's deposits and those of the Pantego Economic Development Corporation were covered by FDIC insurance or by collateral held by the bank's agent in the Town's name.

Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Town to adopt, implement and publicize an investment policy. This policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities and (9) bid solicitation references for certificates of deposit.

The Town's investment policy authorizes the Town to invest in obligations of the United States government and its agencies and instrumentalities, fully insured or collateralized certificates of deposit, repurchase agreements not to exceed 90 days to stated maturity, AAA-rated, SEC registered money market funds, AAA-rated Texas local government investment pools, and other interest bearing

2. Cash and cash equivalents – Investments (continued)

accounts at the Town's depository. During the year ended September 30, 2016, the Town did not own any types of securities other than those permitted by statute.

The Town invests idle funds in the Texas Local Government Investment Pools: TexPool and TexPool Prime. These government investment pools were organized under the authority of the Interlocal Cooperation Act Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. All investments of the Pool are stated at amortized cost, which in most cases approximates the market value of the securities. The objective of the Pools is to maintain a stable $1.00 net asset value; however, the $1.00 net asset value is not guaranteed or insured by the State of Texas.

Interest Rate Risk – Interest rate risk is the risk that changes in the market place will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In order to limit interest and market rate risk from changes in interest rates, the Town of Pantego's adopted Investment Policy sets the weighted average maturity (WAM) limit to one (1) year for operating funds and two (2) years for non-operating funds.

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized rating agency. A primary stated objective of the Town of Pantego's adopted Investment Policy is the safety of principal and avoidance of principal loss. The Town controls risk by limiting its investments to those instruments allowed by its investment policy.

Concentration Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. It is the policy of the Town of Pantego to diversify its investment portfolios. Whenever practical, assets held in the common investment portfolio shall be diversified to minimize the risk of loss resulting from one concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The Town's investments at September 30, 2016 included the following:

Investment Type	Investment	Amount	(Days)	Investments
Local Government Investment Pool	TexPool	$ 2,449,470	45	52.62%
	TexPool Prime	2,205,847	48	47.38%

2. Cash and cash equivalents – Investments (continued)

Custodial Credit Risk – Investments - In order to control custody and safekeeping risk State law and the Town of Pantego's adopted Investment Policy requires collateral for all time and demand deposits, as well as collateral for repurchase agreements, be transferred delivery versus payment and held by an independent party approved by the Town and held in the Town's name. The custodian is required to provide original safekeeping receipts and monthly reporting of positions with position descriptions including market value. Repurchase agreements and deposits must be collateralized to 102% and be executed under written agreements. Depository agreements are executed under the terms of U.S. Financial Institutions Resource and Recovery Enforcement Act ("FIRREA"). The counter-party of each type transaction is held contractually liable for monitoring and maintaining the required collateral margins on a daily basis.

Portfolio disclosure as of September 30, 2016:

- The portfolio contained one (1) fully FDIC insured certificate of deposit;
- The portfolio contained no repurchase agreements;
- All bank demand deposits were fully insured and/or collateralized; and
- All pledge bank collateral for demand deposits was held by an independent institution outside the bank's holding company.

3. PROPERTY TAX

The Town's property taxes are levied on October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the Town. Property taxes attach as an enforceable lien on property as of January 1 and are levied for appropriation for the fiscal year beginning October 1. Taxes are due by January 31 following the October 1 levy date and are considered delinquent after January 31 of each year. Taxes unpaid as of February 1 are subject to penalty and interest as provided by the Texas Property Tax Code.

Property taxes are accrued based on the period for which they are levied and available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay current liabilities. Taxes not expected to be collected within sixty days of the fiscal year-end are recorded as deferred revenues and are recognized when they become available. Taxes collected prior to the levy date to which they apply are recorded as deferred revenues and recognized as revenue in the period to which they apply.

General property taxes are limited by the Texas Constitution to $2.50 per $100 of assessed valuation. The combined tax rate to finance general governmental services and debt service for the Town of Pantego for the year ended September 30, 2016 was $0.4200 per $100 of assessed valuation.

4. RECEIVABLES AND DEFERRED REVENUES

All receivables are shown net of allowance for uncollectible accounts. The allowances for uncollectible accounts are based upon historical experience. Property tax and municipal court allowance for uncollectible accounts are equal to approximately 60% and 75% of the outstanding balance at September 30, and the ambulance allowance consists of accounts aged more than 120 days. The allowance for the water and sewer accounts receivable is equal to the accounts receivable that are aged three (3) or more months as of September 30.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Receivables and deferred revenue as of September 30, 2016 for the government's individual major funds, and non-major funds in the aggregate, including the applicable allowances for uncollectible amounts, are as follows:

	General Fund	Street Improvement Fund	Nonmajor Governmental Funds	Governmental Activities Total	Component Unit P.E.D.C.
Receivables:					
Property tax	$ 79,724	$ -	$ 36,389	$ 116,113	$ -
Sales tax	273,587	54,717	-	328,304	109,435
Franchise tax	168,486	-	-	168,486	-
Accounts	1,756,211	-	-	1,756,211	-
Other	16,933	-	6,546	23,479	25,298
Notes receivable	-	-	-	-	50,807
Gross receivables	2,294,941	54,717	42,935	2,392,593	185,540
Less: Allowance for uncollectibles	(1,554,220)	-	(21,833)	(1,576,053)	(8,006)
Net total receivables	$ 740,721	$ 54,717	$ 21,102	$ 816,540	$ 177,534
Deferred Revenues					
Property tax	$ 31,890	$ -	$ 14,556	$ 46,446	
Franchise tax	145,766	-	-	145,766	
Ambulance service	39,333	-	-	39,333	
Fines and forfeitures	207,146	-	-	207,146	
Total deferred revenues	$ 424,135	$ -	$ 14,556	$ 438,691	

	Water and Sewer	Business-Type Activities Total
Receivables:		
Accounts	$ 127,695	$ 127,695
Unbilled accounts	156,442	156,442
Other	161,736	161,736
Gross receivables	445,873	445,873
Less: Allowance for uncollectibles	(12,007)	(12,007)
Net total receivables	$ 433,866	$ 433,866

4. Receivables and Deferred Revenue (Continued)

The Pantego Economic Development Corporation (PEDC) component unit provides loans towards assisting businesses with improvements to the borrower's property. Notes receivable for the year ended September 30, 2015 are as follows:

$20,000 loan dated July 20, 2012, at 2% payable in equal monthly installments of $433.90 over five (5) years beginning August 1, 2013, secured by furniture, fixtures and equipment of borrower.	$ 6,765
$35,000 loan dated October 24, 2013, at 3% payable in equal monthly installments of $774.70 over four (4) years beginning November 1, 2014, secured by the furniture, fixtures and equipment of the borrower.	18,752
$8,500 loan dated October 30, 2013, at 3% payable in equal monthly installments of $247.19 over three (3) years beginning November 1, 2014, secured by the furniture, fixtures and equipment of the borrower.	8,006
$15,000 loan dated December 13, 2013, at 3% payable in equal monthly installments of $436.22 over three (3) years beginning December 1, 2014, secured by the furniture, fixtures and equipment of the borrower.	5,994
$17,000 loan dated March 13, 2014, at 3% payable in equal monthly Installments of $494.38 over three (3) years beginning March 1, 2015, secured by the furniture, fixtures and equipment Of the borrower.	11,290
Total Notes Receivable	$ 50,807

As of September 30, 2016, $8,006 of PEDC loans were past due and management has recorded an allowance for this amount.

5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Inter-fund transfers are reported in the governmental activities and proprietary fund financial statements. In the government-wide statements, inter-fund transfers are eliminated within the governmental activities column and business-type column, as appropriate.

Interfund transfers during the year ended September 30, 2016 were as follows:

Transfers out:	Transfers In:		
	General Fund	Non-major Governmental	Total Transfers From
General Fund	$ -	$ 265,961	$ (265,961)
Street Improvement	86,938	-	(86,938)
Non-Major Governmental	120,000	-	(120,000)
Total	$ 206,938	$ 265,961	$ (472,899)

Transfers are primarily used to (1) move revenues collected in the special revenue funds to finance various programs in accordance with budgetary authorizations, (2) move receipts restricted for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) reimburse one fund for services provided to another fund, (4) transfer additional funds, (5) contribute toward the cost of capital projects, and (6) other operational purposes.

Transfers as of September 30, 2016 reflect the following interfund transactions:

- Street Improvement to the General Fund for administrative charges of $86,938;
- Court Security Fund to the General Fund for court security function $20,000;
- Debt Service Fund to the General Fund for debt service $100,000;
- General Fund to Equipment Replacement Fund to fund the purchase of capital assets $230,038;
- General Fund to the Pantego Fest Fund to cover deficits $35,923.

6. CAPITAL ASSETS

The following is a summary of changes in the governmental activities capital assets for the fiscal year ended September 30, 2016:

Governmental activities:	Beginning Balance	Transfers In/ Additions	Transfers Out/ Deletions	Ending Balance
Non-depreciable assets:				
Land	$ 211,263	$ -	$ -	$ 211,263
Construction in progress	21,711	169,082	(166,395)	24,398
Total non-depreciable assets	232,974	169,082	(166,395)	235,661
Depreciable assets:				
Buildings	2,085,260	-	-	2,085,260
Improvements other than buildings	2,229,851	-	-	2,229,851
Machinery and equipment	3,594,605	221,316	-	3,815,921
Infrastructure	9,195,333	233,027	-	9,428,360
Total depreciable assets	17,105,049	454,343		17,559,392
Accumulated depreciation:				
Buildings	(1,120,632)	(54,716)	-	(1,175,348)
Improvements other than buildings	(1,693,602)	(81,170)	-	(1,774,772)
Machinery and equipment	(2,176,548)	(274,541)	-	(2,451,089)
Infrastructure	(7,151,040)	(173,080)	-	(7,324,120)
Total accumulated depreciation	(12,141,822)	(583,507)		(12,725,329)
Total depreciable assets, net	4,963,227	(129,164)	-	4,834,063
Governmental activities capital assets, net	$ 5,196,201	$ 39,918	$ (166,395)	$ 5,069,724

Depreciation was charged to functions/programs of the primary government as follows:

Governmental activities:	
General and administrative	$ 40,468
Public works	266,483
Police	111,906
Fire	117,387
Municipal court	10,566
Other	36,697
Total depreciation expense - governmental activities	$ 583,507

6. Capital Assets (Continued)

The following is a summary of changes in business-type activities capital assets during the fiscal year ended September 30, 2016:

Business-type activities:	Beginning Balance	Transfers In/ Additions	Transfers Out/ Deletions	Ending Balance
Non-depreciable assets:				
Land	$ 61,971	$ -	$ -	$ 61,971
Construction in progress	266,791	284,627	(374,329)	177,089
Total non-depreciable assets	328,762	284,627	(374,329)	239,060
Depreciable assets:				
Improvements other than buildings	5,229,125	463,952	-	5,693,077
Total depreciable assets	5,229,125	463,952	-	5,693,077
Accumulated depreciation:				
Improvements other than buildings	(3,798,903)	(183,422)	-	(3,982,325)
Total accumulated depreciation	(3,798,903)	(183,422)	-	(3,982,325)
Total depreciable assets, net	1,430,222	280,530	-	1,710,752
Business-type activities capital assets, net	$ 1,758,984	$ 565,157	$ (374,329)	$ 1,949,812

Depreciation for business-type activities was charged as follows:

Business-type activities:	
Water and sewer	$ 183,422
Total depreciation expense - business-type activities	$ 183,422

The Pantego Economic Development Corporation (PEDC) occasionally funds public infrastructure improvements. When the construction is completed the capital assets are contributed to the governmental or business-type activities. The following is a summary of changes in the component unit capital assets during the fiscal year ended September 30, 2016:

6. Capital Assets (Continued)

Component Unit:	Beginning Balance	Transfers In/ Additions	Transfers Out/ Deletions	Ending Balance
Non-depreciable assets:				
Construction in progress	$ 63,961	$ -	$ -	$ 63,961
Total non-depreciable assets	63,961	-	-	63,961
Component unit capital assets, net	$ 63,961	$	$ -	$ 63,961

7. CAPITAL LEASES

Capital lease obligation is comprised of a lease, which terms provide for a bargain purchase options at the end of the lease period, or provides the rights of ownership during the economic useful life of the asset. The Town has several capital leases for various equipment. Capital lease obligations as of September 30, 2016, consist of the following:

$699,898 due in annual installments of $86,531.44 including interest at 4.6%, maturing in July 2019, and secured by a fire truck purchased in 2010 for $699,898.	$ 237,424
$429,361 due in annual installments o f$91,348.13 including interest at 3.19%, maturing in April 2019, and secured by public safety radio system equipment purchased in 2014 for $429,361.	257,278
	$ 494,702

Capital assets acquired through capital leases are as follows:

Machinery and equipment	$ 1,129,259
Less: Accumulated depreciation	(416,709)
Total	$ 712,550

See Note 8 to the basic financial statements for the future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2016.

8. LONG-TERM DEBT AND OBLIGATIONS

The Town of Pantego and the PEDC component unit have issued certificates of obligation bonds and sales tax revenue bonds to provide funds for the acquisition and construction of major capital facilities. The certificates of obligation bonds are paid by the debt service fund, the G.O. Bonds Interest and Sinking Debt Service Fund, and the sales tax revenue bonds are paid by the PEDC Debt Service Fund.

All taxes levied and collected for and on account of said bonds are pledged to the Debt Service Fund in amounts authorized by the Town Council. The ordinances authorizing the issuance of the Combination Tax and Limited Pledge Revenue Certificates of Obligation require that the Town's ad valorem tax revenues be enough to generate net revenues sufficient to provide for the payment of the debt service requirements of the bonds issued. At September 30, 2016, this requirement had been met. As of September 30, 2016, the Town had no authorized but unissued bonds.

Long-term debt transactions, including current portion, for the year ended September 30, 2016, are summarized as follows:

	Balance at October 1, 2015	Increased	Retired	Balance at September 30, 2015	Due within one year
Governmental activities:					
Certificates of obligation	$ 120,000	$ -	$ 30,000	$ 90,000	$ 30,000
Capital leases	664,817	-	170,115	494,702	158,746
Net pension liability	1,772,665	883,753	-	2,656,418	-
Compensated absences	102,053	115,563	102,053	115,563	115,563
Total governmental activities long-term liabilities	$ 2,659,535	$ 999,316	$ 302,168	$ 3,356,683	$ 304,309
Business-type activities:					
Net pension liability	$ 163,828	$ 152,469	$ -	$ 316,297	$ -
Total business-type activities long-term liabilities	$ 163,828	$ 152,469	$ -	$ 316,297	$ -
Component Unit:					
Sales tax revenue bonds	$ 1,155,000	$ -	$ 140,000	$ 1,015,000	$ 145,000
Total component unit long-term liabilities	$ 1,155,000	$ -	$ 140,000	$ 1,015,000	$ 145,000

8. Long-Term Debt and Obligations (Continued)

Bonds payable at September 30, 2016, are comprised of the following individual issues:

	Interest Rate (%)	Maturity Date	Original Issue	Amount Outstanding
Governmental activities:				
Certificates of obligation:				
2004 Tax and Revenue	3.97%	2019	$ 365,000	$ 90,000
Total certificates of obligation			365,000	90,000
Total governmental activities			$ 365,000	$ 90,000
Component unit:				
Sales tax revenue bonds:				
2010 Refunding Series	4.93%	2022	$ 1,745,000	$ 1,015,000
Total sales tax revenue bonds			1,745,000	1,015,000
Total component unit			$ 1,745,000	$ 1,015,000

Annual governmental activities debt service requirements to amortize all debt outstanding, except employee benefits, as of September 30, 2016, are as follows:

Years Ending September 30,	Certificates of Obligation	CO Interest	Total Governmental Activities
2017	$ 30,000	$ 3,573	$ 33,573
2018	30,000	2,382	32,382
2019	30,000	1,191	31,191
Total	$ 90,000	$ 7,146	$ 97,146

Future minimum lease payments are as follows:

Years Ending September 30,	Lease Obligations
2017	$ 177,880
2018	177,880
2019	177,880
Total	533,640
Less interest portion	(38,938)
Obligation under capital lease	$ 494,702

8. Long-Term Debt and Obligations (Continued)

Annual debt service requirements for the Pantego Economic Development Corporation (PEDC) component unit to amortize outstanding debt as of September 30, 2016, are as follows:

Years Ending September 30,	Component Unit		Total Component Unit
	Sales Tax Revenue	STR Interest	
2017	$ 145,000	$ 47,140	$ 192,140
2018	160,000	39,521	199,521
2019	165,000	31,399	196,399
2020	175,000	22,955	197,955
2021	180,000	9,323	189,323
2022	190,000	9,497	199,497
Total	$ 1,015,000	$ 159,835	$ 1,174,835

As of September 30, 2016, there are no debt service requirements for debt obligations for the business-type Water and Sewer Fund.

Arbitrage Payable – The Tax Reform Act of 1986 requires that the excess interest earned on tax-exempt bond process over interest cost must be remitted to the federal government. The arbitrage liability is payable to the federal government every five years; however, the Town calculates and records its arbitrage liability annually. The arbitrage liability is recorded as a liability in the government-wide and proprietary fund financial statements, as applicable, on the accrual basis of accounting. At September 30, 2016, the Town had no arbitrage liability.

9. SEWER CONTRACTS

The Town has contracts with the City of Fort Worth and City of Arlington for the treatment of wastewater. The contracts require the Town to pay varying amounts based on the costs associated with the wastewater treated. Charges for wastewater treatment during fiscal year 2016 were $284,580 for Fort Worth and $83,753 for Arlington.

10. DEFINED BENEFIT PENSION PLAN

A. Plan Description

The Town of Pantego participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the Town are required to participate in TMRS.

B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest. Plan provisions for the Town are as follows:

	Plan Year 2015	Plan Year 2016
Employee deposit rate	7.00%	7.00%
Matching ratio (Town to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5,0/20	60/5,0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	50% of CPI Repeating	50% of CPI Repeating

Employees covered by benefit terms. At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	45
Inactive employees entitled to but not yet receiving benefits	83
Active employees	40
Total employees covered by benefit terms	168

10. Defined benefit pension plan (Continued)

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the Town's matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the Town. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the Town of Pantego were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Town of Pantego were 15.56% and 16.57% in 2015 and 2016 calendar years. The Town's contribution to TMRS for the year ended September 30, 2016 were $364,980, and were equal to the required contributions.

D. Net Pension Liability

The Town's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

10. Defined benefit pension plan (Continued)

Actuarial assumptions used in December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
Internation Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

10. Defined benefit pension plan (Continued)

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CHANGES IN THE NET PENSION LIABILITY	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2014	$ 13,998,288	$ 12,061,796	$ 1,936,492
Changes for the year:			
Service cost	362,190	-	362,190
Interest (on the Total Pension Liability)	963,211	-	963,211
Change of benefit terms	-	-	-
Difference between expected and actual experience	(57,274)	-	(57,274)
Changes of assumptions	252,911	-	252,911
Contributions - employer	-	329,956	(329,956)
Contributions - employee	-	148,438	(148,438)
Net investment income	-	17,797	(17,797)
Benefit payments, including refunds of employee contributions	(838,452)	(838,452)	-
Adminitrative expense		(10,841)	10,841
Other changes		(535)	535
Net changes	$ 682,586	$ (353,637)	$ 1,036,223
Balance at 12/31/2015	**$ 14,680,874**	**$ 11,708,159**	**$ 2,972,715**

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Town, calculated using the discount rate of 6.75% as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
$5,156,609	$2,972,715	$1,214,916

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

10. Defined benefit pension plan (Continued)

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflow of Resources Related to Pensions

For the year ended September 30, 2016, the Town recognized pension expense of $574,326. At September 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 57,460
Changes in assumptions	155,262	-
Differences between projected and actual investment earnings	750,724	-
Contributions subsequent to the measument date	288,450	-
Total	$ 1,194,436	$ 57,460

$288,450 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Year ended September 30,	Net deferred outflows (inflows) of resources
2017	$ 248,374
2018	239,706
2019	195,141
2020	165,305
2021	-
Thereafter	-
Total	$ 848,526

11. OTHER POST-EMPLOYMENT BENEFITS

Supplemental Death Benefit Fund

Plan Description

The Town also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The Town elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The Town may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other post-employment benefit," or OPEB.

Contributions

The Town contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. The City's contributions to the TMRS SDBF for the years ended 2016, 2015 and 2014 were $2,853, $2,717 and $2,645, respectively, which equaled the required contributions each year.

12. COMMITMENTS AND CONTINGENCIES

Litigation

One lawsuit is pending against the Town and the outcome of this lawsuit is not presently determinable. The Town could potentially have a direct liability for amounts not covered by insurance. The amount of the Town's direct liability cannot be reasonably estimated at this time.

Federal and State Programs

Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made, in compliance with program guidelines, to the grantor agency. These programs are governed by various statutory rules and regulations of grantors. Amount received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. As it pertains to other matters of compliance, in the opinion of the Town's administration, there are no significant contingent liabilities relating to matters of compliance and accordingly, no provision has been made in the accompanying financial statement for such contingencies.

12. Commitments and Contingencies (Continued)

Risk Management

The Town is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The Town is a member of the Texas Municipal League and participates in the Intergovernmental Risk Pool. Premiums are paid to the Pool who administers all claims. The Town retains, as a risk, only the deductible amount of each policy. The Town has maintained insurance coverage in all major categories of risk comparable to that of the prior year with not reduction in coverage. The amount of settlements during the past three years has not exceeded the insurance coverage.

13. RELATED PARTY TRANSACTIONS

In 2013 the Pantego Economic Development Corporation issued a PEDC business loan with a business that is owned and operated by a member of the PEDC Board. The owner was not a PEDC Board member when the loans were issued. The total loan amount outstanding as of September 30, 2016 is $18,752.

14. SUBSEQUENT EVENTS

Subsequent events were evaluated through March 15, 2017, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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Town of Pantego, Texas **Exhibit F-1**
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual Amounts GAAP Basis	Variance Positive (Negative)
REVENUES				
Taxes:				
Property	$ 1,045,596	$ 1,045,596	$ 1,058,796	$ 13,200
Sales	1,354,151	1,354,151	1,647,730	293,579
Franchise	327,000	327,000	337,774	10,774
Fines and forfeitures	860,900	860,900	753,731	(107,169)
Licenses and permits	84,331	84,331	89,417	5,086
Ambulance service	130,000	130,000	124,770	(5,230)
Intergovernmental	-	-	26,015	26,015
Charges for services	133,900	133,900	141,032	7,132
Contributions and donations	-	-	2,884	2,884
Investment earnings	4,000	4,000	7,909	3,909
Miscellaneous	25,675	25,675	73,802	48,127
Total revenues	3,965,553	3,965,553	4,263,860	298,307
EXPENDITURES				
Current:				
General and administrative	479,816	479,816	444,827	34,989
Public works	404,846	404,846	435,894	(31,048)
Community Development	165,503	165,503	130,644	34,859
Police	1,309,820	1,309,820	1,203,351	106,469
Fire	1,090,658	1,090,658	1,077,145	13,513
Municipal court	363,385	363,385	336,629	26,756
Other	22,500	23,000	22,272	728
Debt service	195,298	195,298	195,740	(442)
Total expenditures	4,031,826	4,032,326	3,846,502	185,824
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(66,273)	(66,773)	417,358	484,131
OTHER FINANCING SOURCES (USES)				
Transfers in	206,938	206,938	206,938	-
Transfers out	(137,961)	(265,961)	(265,961)	-
Total other financing sources (uses)	68,977	(59,023)	(59,023)	-
CHANGE IN FUND BALANCE	2,704	(125,796)	358,335	484,131
Fund balance - beginning	2,266,189	2,266,189	2,266,189	-
Fund balance - ending	$ 2,268,893	$ 2,140,393	$ 2,624,524	484,131

The notes to the required supplementary information are an integral part of this statement.

Town of Pantego, Texas **Exhibit F-2**
Street Improvement Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule
For the Year Ended September 30, 2016

	Street Improvement Construction Fund			
	Original Budget	Final Budget	Actual Amounts GAAP Basis	Variance Positive (Negative)
REVENUES				
Sales tax	$ 268,030	$ 268,030	$ 326,490	$ 58,460
Investment earnings	650	650	1,471	821
Total revenues	268,680	268,680	327,961	59,281
EXPENDITURES				
Current:				
Public works	168,130	168,130	170,186	(2,056)
Capital	233,000	233,000	226,317	6,683
Total expenditures	401,130	401,130	396,503	4,627
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(132,450)	(132,450)	(68,542)	63,908
OTHER FINANCING SOURCES (USES)				
Transfers out	(86,938)	(86,938)	(86,938)	-
Total other financing sources (uses)	(86,938)	(86,938)	(86,938)	-
NET CHANGE IN FUND BALANCE	(219,388)	(219,388)	(155,480)	63,908
Fund balance - beginning	875,997	875,997	875,997	-
Fund balance - ending	$ 656,609	$ 656,609	$ 720,517	$ 63,908

The notes to the required supplementary information are an integral part of this statement.

Town of Pantego, Texas **Exhibit F-3**
Schedule of Changes in Net Pension Liability and Related Ratios
Texas Municipal Retirement System
September 30, 2016

	2014	2015
Total pension liability		
Service cost	$ 294,270	$ 362,190
Interest (on the Total Pension Liability)	935,669	963,211
Changes of benefit terms	-	-
Difference between expected and actual experience	(103,022)	(57,274)
Change of assumptions	-	252,911
Benefit payments, including refunds of employee contributions	(696,398)	(838,452)
Net Change in Total Pension Liability	430,519	682,586
Total Pension Liability - Beginning	13,567,769	13,998,288
Total Pension Liability - Ending (a)	$ 13,998,288	$ 14,680,874
Plan Fiduciary Net Position		
Contributions - Employer	$ 301,148	$ 329,956
Contributions - Employee	144,634	148,438
Net Investment Income	666,569	17,797
Benefit payments, including refunds of employee contributions	(696,398)	(838,452)
Administrative Expense	(6,960)	(10,841)
Other	(572)	(535)
Net Change in Plan Fiduciary Net Position	$ 408,421	$ (353,637)
Plan Fiduciary Net Position - Beginning	11,653,375	12,061,796
Plan Fiduciary Net Position - Ending (b)	$ 12,061,796	$ 11,708,159
Net Pension Liability - Ending (a) - (b)	$ 1,936,492	$ 2,972,715
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	86.17%	79.75%
Covered Employee Payroll	$ 2,066,197	$ 2,120,548
Net Pension Liability as a Percentage of Covered Employee Payroll	93.72%	140.19%

Note: GASB 68 requires 10 fiscal years of date to be provided in this schedule.
The Town is required to build this schedule over the next 10-year period.

The notes to the required supplementary information are an integral part of this statement.

Town of Pantego, Texas **Exhibit F-4**
Schedule of Contributions
Texas Municipal Retirement System
For the Year Ended September 30, 2016

	2014	2015	2016
Actuarially Determined Contribution	$ 310,220	$ 338,187	$ 364,980
Contributions in relation to the actuarially determined contribution	$ 310,220	$ 338,187	$ 364,980
Contribution deficiency (excess)	$ -	$ -	$ -
Covered employee payroll	$ 2,034,826	$ 2,215,684	$ 2,232,633
Contributions as a percentage of covered employee payroll	15.25%	15.26%	16.35%

Note: GASB 68 requires 10 fiscal years of date to be provided in this schedule.
The Town is required to build this schedule over the next 10-year period.

The notes to the required supplementary information are an integral part of this statement.

TOWN OF PANTEGO
Notes to the Required Supplementary Information
For the Year Ended September 30, 2016

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental and proprietary funds. All annual appropriations lapse at year end.

Prior to August 1, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Prior to September 30, the budget is legally enacted through a favorable passage of an ordinance.

The appropriated budget is prepared by fund, function and department. The City Manager is authorized to make line item and departmental budget adjustments during the fiscal year in order to avoid over-expenditures of particular line items. Adjustments require no further Council action if the total appropriation for each fund as set forth in the adopted budget is not exceeded.

Excess of Expenditures over Appropriations

For year ended September 30, 2016, expenditures exceeded appropriations in the Public Works department and debt service by $31,048 and $442 respectively. This over-expenditure was funded by savings in other departments.

Notes to the Schedule of Contributions

Valuation Date:

Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50 including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the Town's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other information:

Notes	There were no benefit changes during the year.

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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COMBINING FINANCIAL STATEMENTS
NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used by the Town to account for revenues that are legally restricted expenditures for a particular purpose.

Municipal Court Building Security Fund - This fund is used to account for the Town's share of fines to be used to enhance building security for municipal court.

Municipal Court Technology Fund - This fund accounts for the Town's share of fines to be used for improvements to municipal court technology.

Shamburger Fund - This fund is used to account for the care and feeding of stray animals found and rescued within the Town of Pantego.

Cartwright Library Fund - This fund is used for the maintenance and development of the Town's website.

PantegoFest Fund - This fund is used to account for revenues, donations and expenditures related to PantegoFest.

Debt Service Fund

The **Debt Service Fund** is used to account for the accumulation of resources such as property tax revenue, to be used for the general obligation principal and interest payments, except for those certificates of obligation serviced by the Enterprise Fund.

Capital Projects/Equipment Replacement Fund

The Capital Projects/Equipment Replacement Fund accounts for all resources used for the acquisition and construction of major capital facilities and equipment for various governmental departments of the Town other than those financed by proprietary funds.

Town of Pantego, Texas
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2016

	Special Revenue Funds				
	Municipal Court Building Security	**Municipal Court Technology**	**Shamburger Fund**	**Cartwright Library Fund**	**PantegoFest Fund**
ASSETS					
Current assets:					
Cash and cash equivalents	$ 16,814	$ 84,203	$ 77,372	$ 17,274	$ 902
Receivables, net:					
Property tax	-	-	-	-	-
Other	-	-	-	-	6,546
Accrued interest	-	-	261	-	-
Total assets	$ 16,814	$ 84,203	$ 77,633	$ 17,274	$ 7,448
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE					
Liabilities:					
Accounts payable	$ -	$ -	$ -	$ -	$ 3,225
Total liabilities	-	-	-	-	3,225
Deferred inflow of resources:					
Deferred revenue	-	-	-	-	-
Fund Balance					
Restricted for:					
Debt service	-	-	-	-	-
Municipal court	16,814	84,203	-	-	-
Animal control services	-	-	77,633	-	-
Other purpose	-	-	-	17,274	4,223
Committed for:					
Equipment replacement	-	-	-	-	-
Total fund balances	16,814	84,203	77,633	17,274	4,223
Total liabilities, deferred inflows and fund balance	$ 16,814	$ 84,203	$ 77,633	$ 17,274	$ 7,448

Exhibit G-1

Debt Service Fund	Capital Projects/ Equipment Replacement Fund	Total Other Governmental Funds
$ 102,178	$ 24,953	$ 323,696
14,556	-	14,556
-	-	6,546
523	-	784
$ 117,257	$ 24,953	$ 345,582
$ -	$ -	$ 3,225
-	-	3,225
14,556	-	14,556
102,701	-	102,701
-	-	101,017
-	-	77,633
-	-	21,497
-	24,953	24,953
102,701	24,953	327,801
$ 117,257	$ 24,953	$ 345,582

Town of Pantego, Texas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2016

	Special Revenue Funds				
	Municipal Court Building Security	**Municipal Court Technology**	**Shamburger Fund**	**Cartwright Library**	**Pantego Fest**
REVENUES					
Property tax	$ -	$ -	$ -	$ -	$ -
Fines and forfeitures	11,618	15,508	-	-	-
Charges for services	-	-	-	-	16,888
Contributions and donations	-	-	-	-	24,750
Investment earnings	42	210	139	51	3
Miscellaneous	-	14,648	-	-	-
Total revenues	11,660	30,366	139	51	41,641
EXPENDITURES					
Current operations:					
Municipal court	1,755	12,548	-	-	-
Other	-	-	4,206	3,647	69,325
Capital	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal agent charges	-	-	-	-	-
Total expenditures	1,755	12,548	4,206	3,647	69,325
Excess (deficiency) of revenues over (under) expenditures	9,905	17,818	(4,067)	(3,596)	(27,684)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	35,923
Transfers out	(20,000)	-	-	-	-
Total other financing sources (uses)	(20,000)	-	-	-	35,923
Net change in fund balance	(10,095)	17,818	(4,067)	(3,596)	8,239
Fund balance - beginning	26,909	66,385	81,700	20,870	(4,016)
Fund balance - ending	$ 16,814	$ 84,203	$ 77,633	$ 17,274	$ 4,223

Exhibit G-2

Debt Service Fund	Capital Projects/ Equipment Replacement Fund	Total Other Governmental Funds
$ 1,886	$ -	$ 1,886
-	-	27,126
-	-	16,888
-	-	24,750
238	150	833
-	-	14,648
2,124	150	86,131
-	-	14,303
-	-	77,178
-	239,887	239,887
	-	
30,000	-	30,000
4,750	-	4,750
34,750	239,887	366,118
(32,626)	(239,737)	(279,987)
-	230,038	265,961
(100,000)	-	(120,000)
(100,000)	230,038	145,961
(132,626)	(9,699)	(134,026)
235,327	34,652	461,827
$ 102,701	$ 24,953	$ 327,801

Town of Pantego, Texas **Exhibit G-3**
Municipal Court Building Security Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule
For the Year Ended September 30, 2016

	Municipal Court Building Security Fund			
	Original Budget	Final Budget	Actual Amounts GAAP Basis	Variance Positive (Negative)
REVENUES				
Fines and forfeitures	$ 15,000	$ 15,000	$ 11,618	$ (3,382)
Investment earnings	-	-	42	42
Total revenues	15,000	15,000	11,660	(3,340)
EXPENDITURES				
Current:				
Municipal court	-	1,760	1,755	5
Total expenditures	-	1,760	1,755	5
				-
EXCESS (DEFICIENCY) OF REVENUES				-
OVER (UNDER) EXPENDITURES	15,000	13,240	9,905	3,335
				-
OTHER FINANCING SOURCES (USES)				-
Transfers out	(20,000)	(20,000)	(20,000)	-
Total other financing sources (uses)	(20,000)	(20,000)	(20,000)	-
NET CHANGE IN FUND BALANCE	(5,000)	(6,760)	(10,095)	3,335
Fund balance - beginning	26,909	26,909	26,909	-
Fund balance - ending	$ 21,909	$ 20,149	$ 16,814	$ 3,335

Town of Pantego, Texas **Exhibit G-4**
Municipal Court Technology Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule
For the Year Ended September 30, 2016

	Municipal Court Technology			
	Original Budget	Final Budget	Actual Amounts GAAP Basis	Variance Positive (Negative)
REVENUES				
Fines and forfeitures	$ 18,000	$ 18,000	$ 15,508	$ (2,492)
Investment earnings	-	-	210	210
Miscellaneous	14,000	14,000	14,648	648
Total revenues	32,000	32,000	30,366	(1,634)
EXPENDITURES				
Current:				
Municipal court	21,933	21,933	12,548	9,385
Total expenditures	21,933	21,933	12,548	9,385
NET CHANGE IN FUND BALANCE	10,067	10,067	17,818	7,751
Fund balance - beginning	66,385	66,385	66,385	-
Fund balance - ending	$ 76,452	$ 76,452	$ 84,203	$ 7,751

Town of Pantego, Texas **Exhibit G-5**
Shamburger Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule
For the Year Ended September 30, 2016

	Shamburger Fund			
	Original Budget	Final Budget	Actual Amounts GAAP Basis	Variance Positive (Negative)
REVENUES				
Investment earnings	$ 100	$ 100	$ 139	$ 39
Total revenues	100	100	139	39
EXPENDITURES				
Current:				
Other	1,200	4,210	4,206	4
Total expenditures	1,200	4,210	4,206	4
NET CHANGE IN FUND BALANCE	(1,100)	(4,110)	(4,067)	43
Fund balance - beginning	81,700	81,700	81,700	-
Fund balance - ending	$ 80,600	$ 77,590	$ 77,633	$ 43

Town of Pantego, Texas **Exhibit G-6**
Cartwright Library Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule
For the Year Ended September 30, 2016

	Cartwright Library Fund			
	Original Budget	Final Budget	Actual Amounts GAAP Basis	Variance Positive (Negative)
REVENUES				
Investment earnings	$ -	$ -	$ 51	$ 51
Total revenues	-	-	51	51
EXPENDITURES				
Current:				
Other	3,500	3,650	3,647	3
Total expenditures	3,500	3,650	3,647	3
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,500)	(3,650)	(3,596)	54
NET CHANGE IN FUND BALANCE	(3,500)	(3,650)	(3,596)	54
Fund balance - beginning	20,870	20,870	20,870	-
Fund balance - ending	$ 17,370	$ 17,220	$ 17,274	$ 54

Town of Pantego, Texas **Exhibit G-7**
PantegoFest Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule
For the Year Ended September 30, 2016

	PantegoFest Fund			
	Original Budget	Final Budget	Actual Amounts GAAP Basis	Variance Positive (Negative)
REVENUES				
Charges for services	$ 36,500	$ 36,500	$ 16,888	$ (19,612)
Contributions and donations	22,000	22,000	24,750	2,750
Investment earnings	-	-	3	3
Total revenues	58,500	58,500	41,641	(16,859)
EXPENDITURES				
Current:				
Other	76,374	76,374	69,325	7,049
Total expenditures	76,374	76,374	69,325	7,049
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(17,874)	(17,874)	(27,684)	(9,810)
OTHER FINANCING SOURCES (USES)				
Transfers in	5,923	35,923	35,923	-
Total other financing sources (uses)	5,923	35,923	35,923	-
NET CHANGE IN FUND BALANCE	(11,951)	18,049	8,239	(9,810)
Fund balance - beginning	(4,016)	(4,016)	(4,016)	-
Fund balance - ending	$ (15,967)	$ 14,033	$ 4,223	$ (9,810)

Town of Pantego, Texas **Exhibit G-8**
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule
For the Year Ended September 30, 2016

	Debt Service Fund			
	Original Budget	Final Budget	Actual Amounts GAAP Basis	Variance Positive (Negative)
REVENUES				
Property tax	$ 1,105	$ 1,105	$ 1,886	$ 781
Investment earnings	250	250	238	(12)
Total revenues	1,355	1,355	2,124	769
EXPENDITURES				
Debt Service:				
Principal	30,000	30,000	30,000	-
Interest and fiscal agent charges	4,764	4,764	4,750	14
Total expenditures	34,764	34,764	34,750	14
Excess (deficiency) of revenues over (under) expenditures	(33,409)	(33,409)	(32,626)	783
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(100,000)	(100,000)	(100,000)	-
Total other financing sources (uses)	(100,000)	(100,000)	(100,000)	-
NET CHANGE IN FUND BALANCE	(133,409)	(133,409)	(132,626)	783
Fund balance - beginning	235,327	235,327	235,327	-
Fund balance - ending	$ 101,918	$ 101,918	$ 102,701	$ 783

Town of Pantego, Texas **Exhibit G-9**
Park Row Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule
For the Year Ended September 30, 2016

	Park Row Project Fund			
	Original Budget	Final Budget	Actual Amounts GAAP Basis	Variance Positive (Negative)
REVENUES				
Intergovernmental	$ -	$ -	$ -	$ -
Investment earnings	-	-	4,024	4,024
Total revenues	-	-	4,024	4,024
EXPENDITURES				
Capital	850,000	850,000	9,397	840,603
Total expenditures	850,000	850,000	9,397	840,603
NET CHANGE IN FUND BALANCE	(850,000)	(850,000)	(5,373)	844,627
Fund balance - beginning	1,061,604	1,061,604	1,061,604	-
Fund balance - ending	$ 211,604	$ 211,604	$ 1,056,231	$ 844,627

Town of Pantego, Texas **Exhibit G-10**
Capital Projects/Equipment Replacement Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule
For the Year Ended September 30, 2016

	Capital Projects/Equipment Replacement Fund			
	Original Budget	Final Budget	Actual Amounts GAAP Basis	Variance Positive (Negative)
REVENUES				
Investment earnings	$ -	$ -	$ 150	$ 150
Total revenues	-	-	150	150
EXPENDITURES				
Capital	132,038	239,888	239,887	1
Total expenditures	132,038	239,888	239,887	1
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(132,038)	(239,888)	(239,737)	151
OTHER FINANCING SOURCES (USES)				
Transfers in	132,038	230,038	230,038	-
Total other financing sources (uses)	132,038	230,038	230,038	-
NET CHANGE IN FUND BALANCE	-	(9,850)	(9,699)	151
Fund balance - beginning	34,652	34,652	34,652	-
Fund balance - ending	$ 34,652	$ 24,802	$ 24,953	$ 151

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SUPPLEMENTAL SCHEDULES

The schedules in this section, although not required for fair presentation in conformity with Generally Accepted Accounting Principles (GAAP), present other information deemed useful. The information consists of schedules which aggregate the funds which exist internally in the Town's accounting system into the Water and Sewer Fund.

Town of Pantego, Texas **Exhibit G-11**
Aggregate Statement of Net Position
Water and Sewer Fund
September 30, 2016

	Water & Sewer Operating	Sewer Construction	Water Infrastructure	Total Water and Sewer Fund
ASSETS				
Current assets:				
Cash and cash equivalents	$ 155,202	$ 133,650	$ 397,105	$ 685,957
Receivables, net:				
Accounts	210,182	-	61,948	272,130
Other	161,736	-	-	161,736
Accrued interest	1,307	-	-	1,307
Inventory	11,445	-	-	11,445
Restricted assets:				
Cash and cash equivalents	118,401	-	-	118,401
Total current assets	658,273	133,650	459,053	1,250,976
Non-current assets:				
Capital assets:				
Non-depreciable assets	239,060	-	-	239,060
Depreciable assets, net	1,710,752	-	-	1,710,752
Total noncurrent assets	1,949,812	-	-	1,949,812
Total assets	2,608,085	133,650	459,053	3,200,788
Deferred outflow of resources:				
Employee pensions	127,088	-	-	127,088
LIABILITIES				
Current liabilities:				
Accounts payable	16,621	5,100	-	21,721
Current liabilities payable from restricted assets:				
Customer deposits	118,401	-	-	118,401
Total current liabilities	135,022	5,100	-	140,122
Noncurrent liabilities:				
Net pension liability	316,297	-	-	316,297
Total liabilities	451,319	5,100	-	456,419
Deferred inflow of resources:				
Employee pensions	6,114	-	-	6,114
NET POSITION				
Net investment in capital assets	1,949,812	-	-	1,949,812
Unrestricted	327,928	128,550	459,053	915,531
Total net position	$ 2,277,740	$ 128,550	$ 459,053	$ 2,865,343

Town of Pantego, Texas **Exhibit G-12**
Aggregate Schedule of Revenues, Expenses, and Changes in Fund Net Position
Water and Sewer Fund
For the Year Ended September 30, 2016

	Water & Sewer Operating	Sewer Construction	Water Infrastructure	Total Water and Sewer Fund
Operating revenues:				
Water sales	$ 490,400	$ -	$ -	$ 490,400
Sewer charges	370,687	-	-	370,687
Groundwater conservation fees	40,414	-	-	40,414
Infrastructure improvement fees	-	-	312,177	312,177
Late payment charges	13,079	-	1,285	14,364
Miscellaneous	8,546	-	-	8,546
Total operating revenues	923,126	-	313,462	1,236,588
Operating expenses:				
Personnel	406,978	-	-	406,978
Utilities	150,103	-	-	150,103
Maintenance and repairs	89,498	(2,612)	20,024	106,910
Franchise fees	38,048	-	-	38,048
Other	33,951	-	-	33,951
Sewage treatment - other governments	368,333	-	-	368,333
Depreciation	183,422	-	-	183,422
Total operating expenses	1,270,333	(2,612)	20,024	1,287,745
Operating income (loss)	(347,207)	2,612	293,438	(51,157)
Non-operating revenues (expenses):				
Investment earnings	427	453	1,216	2,096
Total non-operating revenue	427	453	1,216	2,096
Income (loss) before contributions and transfers	(346,780)	3,065	294,654	(49,061)
Capital contributions and transfers:				
Transfers in	284,627	-	-	284,627
Transfer out	-	(72,739)	(211,888)	(284,627)
Change in Net Position	(62,153)	(69,674)	82,766	(49,061)
Net position - beginning	2,339,893	198,224	376,287	2,914,404
Net position - ending	$ 2,277,740	$ 128,550	$ 459,053	$ 2,865,343

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PANTEGO ECONOMIC DEVELOPMENT CORPORATION FUNDS (PEDC)

The Pantego Economic Development Corporation (PEDC) is a discretely presented component unit of the Town, therefore, the PEDC's annual financials and annual operating budget are presented separately.

The PEDC was founded in 1993, following an election to assess a 1/2 cent sales and use tax. Funds administered by the PEDC are restricted funds and can only be used for those projects which are either directly or indirectly attributable to economic development within the Town.

The PEDC's financial activities are reported in the following funds:

PEDC Sales Tax Revenue Fund - This fund is used to account for 1/2 cent sales and use tax.

PEDC Operating Fund - This fund is used to account for operations and activities directed towards economic development financed with sales tax revenue.

PEDC Debt Service Fund - This fund is used to account for accumulation of sales tax revenue to pay principal and interest due on PEDC debt.

Town of Pantego, Texas **Exhibit G-13**
Pantego Economic Development Corporation (PEDC)
Combining Balance Sheet
September 30, 2016

	PEDC Sales Tax Revenue	PEDC Debt Service	PEDC Operating	Total PEDC Funds
ASSETS				
Current assets:				
Cash and cash equivalents	$ -	$ 176,147	$ 575,295	$ 751,442
Receivables, net:				
Sales tax	109,435	-	-	109,435
Notes receivable	-	-	42,801	42,801
Other	-	25,298	-	25,298
Other assets	-	-	6,756	6,756
Total assets	$ 109,435	$ 201,445	$ 624,852	$ 935,732
LIABILITIES				
Current liabilities:				
Accounts payable	$ -	$ -	$ 4,001	$ 4,001
Total liabilities	-	-	4,001	4,001
FUND BALANCE				
Nonspendable	-	-	6,756	6,756
Restricted for:				
Debt service	-	201,445	-	201,445
Economic development	109,435	-	614,095	723,530
Total fund balance	109,435	201,445	620,851	931,731
Total liabilities and fund balance	$ 109,435	$ 201,445	$ 624,852	$ 935,732
Fund Balances				$ 931,731
Long term liabilities, including $1,015,000 bonds and tax notes payable, are not due and payable in the current period, and therefore, are not reported as liabilities in the fund financial statements.				(1,015,000)
Interest payable is not expected to be liquidated with available financial resources and is not reported as a liability in the fund financial statements.				(6,394)
Capital assets used in governmental activities are not financial resources and, therefore, are reported in the governmental funds.				63,961
Net Assets of Governmental Activities				$ (25,702)

Town of Pantego, Texas **Exhibit G-14**
Pantego Economic Development Corporation (PEDC)
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended September 30, 2016

	PEDC Sales Tax Revenue	PEDC Debt Service	PEDC Operating	Total PEDC Funds
REVENUES				
Sales tax	$ 509,354	$ 143,629	$ -	$ 652,983
Investment earnings	-	184	3,095	3,279
Miscellaneous	-	-	735	735
Total revenues	509,354	143,813	3,830	656,997
EXPENDITURES				
Current operations:				
General and administrative	-	-	160,105	160,105
Economic development incentives	-	-	26,006	26,006
Other	-	-	41,004	41,004
Debt service:				
Principal retirement	-	140,000	-	140,000
Interest and fiscal agent charges	-	54,401	-	54,401
Cost of debt issuance	-	194,401	-	194,401
Total expenditures	-	194,401	227,115	421,516
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	509,354	(50,588)	(223,285)	235,481
OTHER FINANCING SOURCES (USES)				
Transfers in	-	50,773	458,675	509,448
Transfers out	(509,448)	-	-	(509,448)
Total other financing sources (uses)	(509,448)	50,773	458,675	-
Net change in fund balance	(94)	185	235,390	235,481
Fund balance - beginning	109,529	201,260	385,461	696,250
Fund balance - ending	$ 109,435	$ 201,445	$ 620,851	$ 931,731
Net Change in Fund Balance				$ 235,481
Current year capital outlay and long-term debt principal payments are expenditures in the fund financial statements but are increases in capital assets and reductions in long-term debt in the government-wide financial statements.				140,000
Current year interest payable of the governmental funds are not due and payable in the current period. Changes in the balance are reported as expenses in the governmental activities of the Statement of Activities.				882
Change in Net Assets of Governmental Activities				$ 376,363

Town of Pantego, Texas **Exhibit G-15**
Schedule of Revenues, Expenditures and Changes in Fund Balance
PEDC Sales Tax Revenue Fund
Budgetary Comparison Schedule
For the Year Ended September 30, 2016

	PEDC Sales Tax Revenue Fund			
	Original Budget	Final Budget	Actual Amounts GAAP Basis	Variance Positive (Negative)
REVENUES				
Sales tax	$ 341,659	$ 341,659	$ 509,354	$ 167,695
Total revenues	341,659	341,659	509,354	167,695
EXPENDITURES				
Total expenditures	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	341,659	341,659	509,354	167,695
OTHER FINANCING SOURCES (USES)				
Transfers out	(341,659)	(509,454)	(509,448)	(6)
Total other financing sources (uses)	(341,659)	(509,454)	(509,448)	(6)
NET CHANGE IN FUND BALANCE	-	(167,795)	(94)	167,689
Fund balance - beginning	109,529	109,529	109,529	-
Fund balance - ending	$ 109,529	$ (58,266)	$ 109,435	$ 167,689

Town of Pantego, Texas **Exhibit G-16**
Schedule of Revenues, Expenditures and Changes in Fund Balance
PEDC Debt Service Fund
Budgetary Comparison Schedule
For the Year Ended September 30, 2016

	PEDC Debt Service Fund			
	Original Budget	Final Budget	Actual Amounts GAAP Basis	Variance Positive (Negative)
REVENUES				
Sales tax	$ 194,401	$ 194,401	$ 143,629	$ (50,772)
Investment earnings	-	-	184	184
Total revenues	194,401	194,401	143,813	(50,588)
EXPENDITURES				
Debt Service:				
Principal	140,000	140,000	140,000	-
Interest and fiscal agent charges	54,401	54,401	54,401	-
Total expenditures	194,401	194,401	194,401	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(50,588)	(50,588)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	50,775	50,773	(2)
Total other financing sources (uses)	-	50,775	50,773	(2)
NET CHANGE IN FUND BALANCE	-	50,775	185	(50,590)
Fund balance - beginning	201,260	201,260	201,260	-
Fund balance - ending	$ 201,260	$ 252,035	$ 201,445	$ (50,590)

Town of Pantego, Texas **Exhibit G-17**
Schedule of Revenues, Expenditures and Changes in Fund Balance
PEDC Operating Fund
Budgetary Comparison Schedule
For the Year Ended September 30, 2016

	PEDC Operating Fund			
	Original Budget	Final Budget	Actual Amounts GAAP Basis	Variance Positive (Negative)
REVENUES				
Investment earnings	$ 1,000	$ 1,000	$ 3,095	$ 2,095
Miscellaneous	750	750	735	(15)
Total revenues	1,750	1,750	3,830	2,080
EXPENDITURES				
Current:				
General and administrative	161,900	161,900	160,105	1,795
Economic development incentives	31,009	31,009	26,006	5,003
Other	75,500	75,500	41,004	34,496
Capital	75,000	75,000	-	75,000
Total expenditures	343,409	343,409	227,115	116,294
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(341,659)	(341,659)	(223,285)	118,374
OTHER FINANCING SOURCES (USES)				
Transfers in	341,659	458,679	458,675	(4)
Total other financing sources (uses)	341,659	458,679	458,675	(4)
NET CHANGE IN FUND BALANCE	-	117,020	235,390	118,370
Fund balance - beginning	385,461	385,461	385,461	-
Fund balance - ending	$ 385,461	$ 502,481	$ 620,851	$ 118,370

STATISTICAL SECTION

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TOWN OF PANTEGO, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2016
STATISTICAL SECTION INDEX
(Unaudited)

This part of the Town of Pantego's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

CONTENTS	TABLES
FINANCIAL TRENDS These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	1-4
REVENUE CAPACITY These schedules contain information to help the reader assess the government's most significant local revenue sources, property and sales tax.	5-10
DEBT CAPACITY These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.	11-14
DEMOGRAPHIC AND ECONOMIC INFORMATION These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	15-16
OPERATING INFORMATION These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	17-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports of the relevant year.

TOWN OF PANTEGO, TEXAS
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	2007	**2008**	**2009**	**2010**
Governmental activities:				
Net investment in capital assets	$ 2,682,609	$ 2,713,108	$ 2,771,088	$ 2,910,100
Restricted	506,169	484,638	487,099	262,987
Unrestricted	4,923,796	5,011,007	4,760,101	4,385,715
Total governmental activities net position	$ 8,112,574	$ 8,208,753	$ 8,018,288	$ 7,558,802
Business-type activities:				
Net investment in capital assets	$ 1,136,795	$ 1,038,102	$ 1,013,638	$ 949,834
Unrestricted	424,400	863,332	930,290	851,758
Total business-type activities net position	$ 1,561,195	$ 1,901,434	$ 1,943,928	$ 1,801,592
Primary government:				
Net investment in capital assets	$ 3,819,404	$ 3,751,210	$ 3,784,726	$ 3,859,934
Restricted	506,169	484,638	487,099	262,987
Unrestricted	5,348,196	5,874,339	5,690,391	5,237,473
Total primary government activities net positio	$ 9,673,769	$ 10,110,187	$ 9,962,216	$ 9,360,394

NOTE:
The Fiscal Year 2012 governmental activities have been restated excluding the Pantego Economic Development Corporation (PEDC) which is reported as discretely presented component unit from FY2013 forward in compliance with GASB 14, 34 and 61.

TABLE 1

Fiscal Year					
2011	**2012**	**2013**	**2014**	**2015**	**2016**
$ 2,781,910	$ 2,874,937	$ 4,518,024	$ 4,109,091	$ 4,411,384	$ 4,485,022
1,974,246	2,051,618	1,973,526	2,601,335	2,393,547	2,125,490
2,351,040	2,073,165	1,868,043	2,584,872	1,194,431	1,279,011
$ 7,107,196	$ 6,999,720	$ 8,359,593	$ 9,295,298	$ 7,999,362	$ 7,889,523
$ 939,879	$ 1,146,278	$ 996,800	$ 898,886	$ 1,758,984	$ 1,949,812
1,293,767	1,353,752	1,726,509	1,378,378	1,155,420	915,531
$ 2,233,646	$ 2,500,030	$ 2,723,309	$ 2,277,264	$ 2,914,404	$ 2,865,343
$ 3,721,789	$ 4,021,215	$ 5,514,824	$ 5,007,977	$ 6,170,368	$ 6,434,834
1,974,246	2,051,618	1,973,526	2,601,335	2,393,547	2,125,490
3,644,807	3,426,917	3,594,552	3,963,250	2,349,851	2,194,542
$ 9,340,842	$ 9,499,750	$ 11,082,902	$ 11,572,562	$ 10,913,766	$ 10,754,866

TOWN OF PANTEGO, TEXAS
CHANGE IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	2007	**2008**	**2009**	**2010**
Expenses				
Governmental activities:				
General and administrative	$ 713,723	$ 791,534	$ 874,011	$ 764,570
Public works	507,259	484,067	491,704	529,120
Community development	-	-	-	-
Police	1,158,739	1,123,143	1,270,901	1,371,184
Fire	1,033,692	1,047,045	1,089,882	1,167,319
Municipal court	179,855	209,525	240,134	268,789
Other	155,946	414,938	461,177	438,665
Interest and other fees	175,803	175,397	186,500	149,005
Total governmental activities expenses	3,925,017	4,245,649	4,614,309	4,688,652
Business-type activities:				
Water and wastewater	809,546	1,006,654	854,591	1,033,595
Total business-type activities expenses	809,546	1,006,654	854,591	1,033,595
Total primary government expenses	$ 4,734,563	$ 5,252,303	$ 5,468,900	$ 5,722,247
Program Revenues:				
Governmental activities:				
Charges for services	$ 629,909	$ 706,925	$ 797,730	$ 973,378
Operating grants and contributions	60,389	8,376	12,681	180,419
Capital grants and contributions	282,950	-	-	-
Total governmental activities program revenues	973,248	715,301	810,411	1,153,797
Business-type activities				
Charges for services	784,922	835,380	887,421	891,425
Operating grants and contributions	-	-	-	-
Capital grants and contributions	36,964	-	-	-
Total business-type activities program revenues	821,886	835,380	887,421	891,425
Total primary government program revenues	$ 1,795,134	$ 1,550,681	$ 1,697,832	$ 2,045,222
Net (expense)/revenue				
Governmental activities	$ (2,951,769)	$ (3,530,348)	$ (3,803,898)	$ (3,534,855)
Business-type activities	12,340	(171,274)	32,830	(142,170)
Total primary government net expense	$ (2,939,429)	$ (3,701,622)	$ (3,771,068)	$ (3,677,025)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property	$ 885,635	$ 905,863	$ 953,351	$ 973,185
Sales and use tax	2,453,639	2,352,541	2,104,317	1,734,889
Franchise	318,892	315,740	318,034	304,706
Investment earnings	263,177	168,780	46,024	10,557
Other revenue	32,109	111,803	76,969	32,266
Gain on retirement of capital assets	-	-	-	-
Change in net position of component unit	-	-	-	-
Transfers in (out)	(5,493)	(228,200)	18,520	19,766
Total governmental activities	3,947,959	3,626,527	3,517,215	3,075,369
Business-type activities:				
Investment income	22,951	18,569	5,473	1,432
Miscellaneous	18,601	264,744	22,711	18,168
Transfers in (out)	5,493	228,200	(18,520)	(19,766)
Total business-type revenues	47,045	511,513	9,664	(166)
Total primary government	$ 3,995,004	$ 4,138,040	$ 3,526,879	$ 3,075,203
Change in Net Position				
Governmental activities	$ 996,190	$ 96,179	$ (286,683)	$ (459,486)
Business-type activities	59,385	340,239	42,494	(142,336)
Total primary government	$ 1,055,575	$ 436,418	$ (244,189)	$ (601,822)

Note: The Fiscal Year 2012 governmental activities have been reinstated excluding the Pantego Economic Development Corporation (PEDC) which is reported as discretely presented component unit from FY2013 forward in compliance with GASB 14, 34 and 61.

TABLE 2

Fiscal Year					
2011	**2012**	**2013**	**2014**	**2015**	**2016**
$ 661,453	$ 693,811	$ 605,615	$ 629,296	$ 554,904	$ 506,739
513,486	546,033	716,928	694,444	672,640	895,132
-	-	-	-	112,189	139,358
1,387,954	1,296,885	1,194,325	1,176,704	1,243,279	1,382,204
1,057,114	1,104,320	1,102,614	1,063,922	1,141,976	1,247,185
312,826	326,926	343,778	385,411	369,205	372,869
233,610	328,025	154,960	186,349	138,389	136,147
144,489	141,009	38,596	38,628	30,149	28,057
4,310,932	4,437,009	4,156,816	4,174,754	4,262,731	4,707,691
914,384	890,868	996,184	1,067,519	1,109,880	1,287,745
914,384	890,868	996,184	1,067,519	1,109,880	1,287,745
$ 5,225,316	$ 5,327,877	$ 5,153,000	$ 5,242,273	$ 5,372,611	$ 5,995,436
$ 1,019,524	$ 998,208	$ 1,285,417	$ 1,347,130	$ 1,295,013	$ 1,090,621
39,813	31,613	58,715	32,271	21,850	53,649
-	-	95,862	-	306,234	-
1,059,337	1,029,821	1,439,994	1,379,401	1,623,097	1,144,270
1,072,886	1,151,062	1,218,637	1,177,852	1,223,699	1,236,588
-	-	-	-	-	-
-	-	-	-	60,097	-
1,072,886	1,151,062	1,218,637	1,177,852	1,283,796	1,236,588
$ 2,132,223	$ 2,180,883	$ 2,658,631	$ 2,557,253	$ 2,906,893	$ 2,380,858
$ (3,251,595)	$ (3,407,188)	$ (2,716,822)	$ (2,795,353)	$ (2,639,634)	$ (3,563,421)
158,502	260,194	222,453	110,333	173,916	(51,157)
$ (3,093,093)	$ (3,146,994)	$ (2,494,369)	$ (2,685,020)	$ (2,465,718)	$ (3,614,578)
$ 922,272	$ 993,101	$ 1,016,196	$ 1,026,470	$ 1,035,238	$ 1,056,398
1,761,271	1,749,558	1,640,680	1,708,772	1,814,089	1,974,220
309,633	494,345	301,675	342,799	315,694	334,925
6,660	7,373	6,991	3,140	6,036	14,237
33,912	60,879	32,431	24,148	15,375	73,802
-	-	-	68,733	13,212	-
-	-	-	-	-	-
(233,759)	(5,544)	-	557,000	(605,606)	-
2,799,989	3,299,712	2,997,973	3,731,062	2,594,038	3,453,582
200	646	826	622	1,270	2,096
39,593	-	-	-	-	-
233,759	5,544	-	(557,000)	605,606	-
273,552	6,190	826	(556,378)	606,876	2,096
$ 3,073,541	$ 3,305,902	$ 2,998,799	$ 3,174,684	$ 3,200,914	$ 3,455,678
$ (451,606)	$ (107,476)	$ 281,151	$ 935,709	$ (45,596)	$ (109,839)
432,054	266,384	223,279	(446,045)	780,792	(49,061)
$ (19,552)	$ 158,908	$ 504,430	$ 489,664	$ 735,196	$ (158,900)

TOWN OF PANTEGO, TEXAS
FUND BALANCES
GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	2007	**2008**	**2009**	**2010**
General Fund				
Unreserved	$ 2,023,383	$ 2,041,816	$ 2,172,794	$ 2,057,277
Nonspendable	-	-	-	-
Restricted:				
Other purposes	-	-	-	-
Committed for:				
Debt service	-	-	-	-
Assigned to:				
Deficit subsequent year budget	-	-	-	-
Equipment replacement	-	-	-	-
Unassigned	-	-	-	-
Total general fund	$ 2,023,383	$ 2,041,816	$ 2,172,794	$ 2,057,277
All Other Governmental Funds				
Reserved	$ 514,164	$ 507,277	$ 503,300	$ 278,241
Unreserved, reported in:				
Special revenue funds	384,702	363,180	341,644	322,070
Capital project funds	2,387,509	2,446,167	2,205,219	1,988,035
Restricted for:				
Debt service	-	-	-	-
Municipal court	-	-	-	-
Street improvements	-	-	-	-
Animal control services	-	-	-	-
Economic development	-	-	-	-
PantegoFest	-	-	-	-
Other purposes	-	-	-	-
Committed to:				
Capital projects/equipment	-	-	-	-
Assigned to:				
Capital projects	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	$ 3,286,375	$ 3,316,624	$ 3,050,163	$ 2,588,346

Note: The Town implemented GASB Statement No. 54 in fiscal year 2011.

The FY2012 governmental fund balances have been restated excluding the Pantego Economic Development Corporation (PEDC) which is reported as discretely presented component unit from FY2013 forward in compliance with GASB 14, 34 and 61.

TABLE 3

Fiscal Year					
2011	**2012**	**2013**	**2014**	**2015**	**2016**
$ -	$ -	$ -	$ -	$ -	$ -
1,155	-	-	16,272	32,085	2,883
-	4,054	5,910	11,533	18,685	38,622
-	-	-	50,100	-	-
-	176,763	-	-	-	-
-	-	-	-	100,000	100,000
1,589,109	1,324,256	1,618,969	2,044,887	2,115,419	2,483,019
$ 1,590,264	$ 1,505,073	$ 1,624,879	$ 2,122,792	$ 2,266,189	$ 2,624,524
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
254,460	254,323	236,159	237,642	235,327	102,701
69,718	70,785	71,516	84,972	93,294	101,017
1,430,384	1,502,483	1,509,455	2,075,709	1,937,601	1,776,748
105,601	91,225	84,238	82,941	81,700	77,633
77,415	74,963	-	-	-	-
-	28,666	35,632	29,825	-	-
44,098	30,538	27,651	24,343	20,870	21,497
605,809	511,445	220,952	429,361	34,652	24,953
172,958	-	-	-	-	-
-	-	-	-	(4,016)	-
$ 2,760,443	$ 2,564,428	$ 2,185,603	$ 2,964,793	$ 2,399,428	$ 2,104,549

TOWN OF PANTEGO, TEXAS
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	2007	**2008**	**2009**	**2010**
Revenues				
Property tax	$ 892,963	$ 916,958	$ 953,739	$ 965,637
Sales tax	2,453,639	2,352,541	2,104,317	1,734,889
Franchise tax	318,892	315,740	318,034	304,706
Court fines, permits and fees	559,634	510,444	617,082	714,169
Fines and forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Ambulance service	124,824	128,813	136,677	113,291
Charges for service	-	-	-	-
Contributions and donations	-	-	-	-
Investment earnings	263,176	168,780	46,024	10,557
Intergovernmental	60,389	8,376	12,681	180,419
Miscellaneous	87,354	156,832	133,669	162,961
Total revenues	4,760,871	4,558,484	4,322,223	4,186,629
Expenditures				
Current operations:				
General and administrative	689,045	757,290	882,186	690,802
Public works	247,376	228,971	192,810	218,227
Community development	-	-	-	-
Police	1,098,438	1,157,803	1,166,239	1,268,241
Fire	917,812	963,169	998,976	1,050,314
Municipal court	176,508	205,026	236,038	255,482
Other	352,318	482,146	386,933	378,951
Capital outlay	114,468	202,741	275,927	902,421
Debt service:				
Principal	214,916	236,237	274,237	513,483
Interest and fiscal agent charges	173,089	165,569	165,551	266,056
Total expenditures	3,983,970	4,398,952	4,578,897	5,543,977
Excess (deficiency) of revenues over (under) expenditures	776,901	159,532	(256,674)	(1,357,348)
Other financing sources (uses)				
Transfers in	856,920	965,838	792,866	638,841
Transfers out	(862,413)	(1,194,038)	(774,346)	(619,076)
Proceeds of capital lease	37,583	117,350	81,913	-
Proceeds from insurance recovery	-	-	20,758	-
Proceeds of bond issuance	-	-	-	2,444,898
Payment to refunded bonds agent	-	-	-	(1,684,649)
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	32,090	(110,850)	121,191	780,014
Net change in fund balances	$ 808,991	$ 48,682	$ (135,483)	$ (577,334)
Debt service as a percentage of non-capital expenditures	10.03%	9.58%	10.22%	16.79%

Note: The Fiscal Year 2012 changes in fund balance have been restated excluding the Pantego Economic Development Corporation (PEDC) which is reported as discretely presented component unit from FY 2013 forward in compliance with GASB 14, 34 and 61.

TABLE 4

Fiscal Year					
2011	**2012**	**2013**	**2014**	**2015**	**2016**
$ 916,772	$ 991,707	$ 1,019,023	$ 1,025,090	$ 1,027,925	$ 1,060,682
1,761,271	1,749,558	1,640,680	1,708,772	1,814,089	1,974,220
309,633	343,620	312,658	331,465	318,154	337,774
748,369	919,785	991,792	-	-	-
-	-	-	913,788	880,750	780,857
-	-	-	77,419	100,212	89,417
119,357	123,802	120,927	143,553	134,355	124,770
-	-	112,296	126,342	130,849	157,920
-	-	-	18,050	21,850	27,634
6,660	7,373	6,991	3,140	6,036	14,237
39,813	1,885	95,862	-	260,210	26,015
135,753	106,110	104,196	69,821	55,546	88,450
4,037,628	4,243,840	4,404,425	4,417,440	4,749,976	4,681,976
603,291	641,908	564,540	587,745	525,373	444,827
212,208	215,127	385,942	370,659	350,408	606,080
-	-	-	-	113,679	130,644
1,289,130	1,235,305	1,146,567	1,144,331	1,163,861	1,203,351
962,979	1,029,348	1,026,053.00	978,439	1,039,334	1,077,145
298,261	322,743	345,589	378,979	364,599	350,932
188,293	309,378	112,674	146,946	100,259	99,450
103,804	324,771	473,361	329,297	634,541	475,601
337,444	335,638	226,900	224,030	261,483	200,115
141,876	138,073	39,218	35,001	26,014	30,375
4,137,286	4,552,291	4,320,844	4,195,428	4,579,551	4,618,520
(99,658)	(308,451)	83,581	222,012	170,425	63,456
847,597	802,218	330,221	1,573,048	638,391	472,899
(1,081,357)	(807,762)	(330,221)	(1,016,052)	(1,243,997)	(472,899)
34,692	32,737	66,675	429,361	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,810	52	9,423	68,733	13,212	-
(195,258)	27,245	76,098	1,055,090	(592,394)	-
$ (294,916)	$ (281,206)	$ 159,679	$ 1,277,102	$ (421,969)	$ 63,456
11.88%	11.21%	6.92%	6.70%	7.29%	5.54%

TOWN OF PANTEGO, TEXAS **TABLE 5**
GOVERNMENTAL FUNDS
TAX REVENUE BY SOURCE
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

Fiscal Year	Property Tax	Sales & Use Tax	Franchise Tax	Total Tax Revenue
2007	$ 892,963	$ 2,453,639	$ 318,892	$ 3,665,494
2008	916,958	2,352,541	315,740	3,585,239
2009	953,739	2,104,317	318,034	3,376,090
2010	965,637	1,734,889	304,706	3,005,232
2011	916,772	1,761,271	309,633	2,987,676
2012	991,707	1,749,558	343,620	3,084,885
2013	1,019,023	1,640,680	312,658	2,972,361
2014	1,025,090	1,708,772	331,465	3,065,327
2015	1,027,925	1,814,089	318,154	3,160,168
2016	1,060,682	1,974,220	337,774	3,372,676

Note: The Fiscal Year 2012 changes in fund balance have been restated excluding the Pantego Economic Development Corporation (PEDC) which is reported as discretely presented component unit from FY2013 forward in compliance with GASB 14, 34 and 61.

TOWN OF PANTEGO, TEXAS **TABLE 6**
ASSESSED AND ESTIMATED ACTUAL
VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Residential Property	Industrial/ Commercial Property	Mineral Reserves	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2007	$104,578,750	$160,996,250	$ -	$50,228,446	$215,346,554	$ 0.382880	$215,346,554	100.0%
2008	94,886,663	151,843,449	-	9,403,326	237,326,786	0.373270	237,326,786	100.0%
2009	97,969,475	164,245,132	-	29,728,052	232,486,555	0.373270	232,486,555	100.0%
2010	99,840,554	157,704,217	-	35,237,846	222,306,925	0.373270	222,306,925	100.0%
2011	93,276,078	152,240,801	1,706,000	11,362,557	235,860,322	0.373270	235,860,322	100.0%
2012	94,073,887	146,999,822	1,059,600	11,600,419	230,532,890	0.410000	230,532,890	100.0%
2013	96,721,534	146,193,612	4,124,310	11,973,713	235,065,743	0.410000	235,065,743	100.0%
2014	96,315,249	146,719,746	1,029,420	13,260,159	230,804,256	0.420000	230,804,256	100.0%
2015	142,259,144	155,581,300	1,195,830	52,185,034	246,851,240	0.420000	246,851,240	100.0%
2016	143,215,261	155,926,097	2,326,070	53,097,672	248,369,756	0.420000	248,369,756	100.0%

Source: Tarrant Appraisal District

Note: Property in the Town is reassessed each year.
Property is assessed at actual value; therefore,the assessed values are equal to actual value.

TOWN OF PANTEGO, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year			
	2007	2008	2009	2010
OVERLAPPING RATES				
Tarrant County	0.371500	0.2665000	0.264000	0.264000
Tarrant County Hospital District	0.235397	0.2303970	0.227897	0.227897
Tarrant County Junior College District	0.139380	0.1393800	0.137960	0.137670
Arlington Independent School District	1.610000	1.27800	1.272000	1.272000
CITY DIRECT RATES				
Operating & Maintenance	0.320835	0.315197	0.315050	0.317208
Interest & Sinking	0.062045	0.058073	0.058220	0.056062
Total Direct Rate	0.382880	0.373270	0.373270	0.373270
Total Direct & Overlapping Rate	2.739157	2.287547	2.275127	2.274837

Sources: Tarrant Appraisal District and Town records.

Note: All rates per $100 assessed value.
Totals are not provided for columns since they would be meaningless.
Some of the jurisdictions are mutually exclusive.

TABLE 7

Fiscal Year					
2011	2012	2013	2014	2015	2016
0.264000	0.264000	0.264000	0.264000	0.264000	0.264000
0.227890	0.227897	0.227897	0.227897	0.227970	0.227897
0.137640	0.148970	0.148970	0.149500	0.149500	0.149500
1.335000	1.305500	1.301000	1.292170	1.348110	1.412952
0.317448	0.351044	0.352160	0.361060	0.385320	0.420000
0.055822	0.058956	0.057840	0.058940	0.034680	0.000000
0.373270	0.410000	0.410000	0.420000	0.420000	0.420000
2.337800	2.356367	2.351867	2.353567	2.409580	2.474349

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TOWN OF PANTEGO, TEXAS **TABLE 8**
PRINCIPAL PROPERTY TAX PAYERS
Current and Nine Years Ago
(Unaudited)

	2007			2016		
Taxpayer	**Taxable Assessed Valuation**	**Rank**	**Percentage of Total Taxable Assessed Valuation**	**Taxable Assessed Valuation**	**Rank**	**Percentage of Total Taxable Assessed Valuation**
Triad Senior Living III LP	$ 5,223,603	2	2.4%	$ 8,000,129	1	3.2%
TSCA-201 Ltd Partnership	6,491,999	1	3.0%	4,700,318	2	1.9%
SVS Apartments LLC	-	-		4,200,000	3	1.7%
Oncor Electric Delivery Co LLC	-	-		4,106,933	4	1.7%
Texas Pneumatic Systems Inc	3,626,367	6	1.7%	3,690,402	5	1.5%
Stagliano, VJ Etux Peggy Etal	4,300,480	3	2.0%	3,375,000	6	1.4%
Four Seasons Pantego I Ltd	4,117,715	5	1.9%	2,952,000	7	1.2%
Wal-Mart Stores Texas LLC	2,241,640	10	1.0%	2,436,523	8	1.0%
Aldi Texas LLC	-			2,419,494	9	1.0%
Southwest Cabinet Corp	-			2,224,209	10	0.9%
TXU Electric Delivery Co	4,129,754	4	1.9%	-		
Ogle, Cheryl	3,607,803	7	1.7%	-		
Texas Appliance Supply Inc	3,430,374	8	1.6%	-		
Nap/Springman Fund Vii Lp	2,627,759	9	1.2%	-		
Total	$ 39,797,494		18.5%	$ 38,105,008		15.3%

Source: Tarrant Appraisal District

TOWN OF PANTEGO, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended 9/30	Actual Levy Year	Taxes Levied for the Fiscal Year	Adjustment to Levy	Adjusted Taxes Levied for Fiscal Year	Collected Fiscal Year Amount
2007	2006	$ 875,013	$ 9,106	$ 884,119	$ 875,965
2008	2007	899,974	11,265	911,238	899,827
2009	2008	910,576	47,064	957,639	931,437
2010	2009	899,027	55,296	954,323	936,382
2011	2010	898,268	5,390	903,658	884,426
2012	2011	988,951	(2,655)	986,296	967,494
2013	2012	1,003,031	(4,396)	998,635	986,987
2014	2013	1,004,406	13,787	1,018,192	1,003,184
2015	2014	1,022,254	14,523	1,036,777	1,009,813
2016	2015	969,368	73,786	1,043,154	1,032,490

Sources: Tarrant County Tax Assessor Collector and Town records.

Tax Lien and Assessment Date:	January 1 each year
Taxes due:	October 1 of the same year
Taxes delinquent:	February 1 of the following year

TABLE 9

within the of the Levy	Collection	Total Collections to Date	
Percentage of Levy	in Subsequent Years	Amount	Percentage of Levy
99.1%	$ 5,295	$ 881,260	99.7%
98.7%	6,961	906,788	99.5%
97.3%	21,973	953,410	99.6%
98.1%	13,833	950,215	99.6%
97.9%	16,949	901,375	99.7%
98.1%	15,905	983,399	99.7%
98.8%	7,803	994,790	99.6%
98.5%	9,041	1,012,225	99.4%
97.4%	19,455	1,029,268	99.3%
99.0%	-	1,032,490	99.0%

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TOWN OF PANTEGO, TEXAS **TABLE 10**
SALES TAX COLLECTIONS BY FUND
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended 9/30	General	Street Improvement	PEDC Sales Tax	Total Primary Government	Component Unit Economic Development	Total Sales Tax Collections
2007	$ 1,527,940	$ 305,597	$ 611,166	$ 2,444,703	$ -	$ 2,444,703
2008	1,463,846	292,769	585,539	2,342,154	-	2,342,154
2009	1,308,342	261,994	523,444	2,093,780	-	2,093,780
2010	1,077,662	215,533	431,065	1,724,260	-	1,724,260
2011	1,094,193	218,839	437,677	1,750,709	-	1,750,709
2012	1,097,439	217,373	434,746	1,749,558	-	1,749,558
2013	1,369,008	271,672	-	1,640,680	543,344	2,184,024
2014	1,426,788	281,984	-	1,708,772	563,969	2,272,741
2015	1,514,382	299,707	-	1,814,089	599,415	2,413,504
2016	1,647,730	326,490	-	1,974,220	652,983	2,627,203

Note: PEDC sales tax from FY2013 and forward are presented separately from the primary government as a discretely presented component unit in compliance with GASB 14, 34 and 61.

TOWN OF PANTEGO, TEXAS
RATIOS OF TOTAL OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(Unaudited)

	GOVERNMENTAL ACTIVITIES				
Fiscal Year	General Obligation Bonds	Certificates of Obligation (1)	Sales Tax Revenue Bonds (4)	Capital Leases	Total Primary Government (2)
2007	$ 710,000	$ 305,000	$ 2,210,000	$ 37,583	$ 3,262,583
2008	625,000	285,000	2,120,000	113,695	3,143,695
2009	535,000	265,000	2,025,000	126,371	2,951,371
2010	445,000	245,000	1,745,000	702,786	3,137,786
2011	355,000	220,000	1,645,000	619,951	2,839,951
2012	260,000	195,000	1,535,000	547,050	2,537,050
2013	160,000	170,000	-	511,825	841,825
2014	55,000	145,000	-	847,157	1,047,157
2015	-	120,000	-	664,817	784,817
2016	-	90,000	-	494,702	584,702

Notes:
Details regarding the City's outstanding debt can be found in the notes to the financial statements.
(1) Includes certificate of obligation secured by property tax revenue.
(2) Includes governmental activities and business-type activities debt.
The Town did not have business-type activities debt during the ten fiscal year period reported.
(3) See Table 16 for population and personal income data.
(4) PEDC's sales tax revenue bonds from FY2013 and forward are presented separately from the primary government as a discretely presented component unit in compliance with GASB 14, 34 and 61.

TABLE 11

Component Unit Sales Tax Revenue Bonds (4)	Total Outstanding Debt	Total Debt Per Capita (3)	Percentage of Personal Income (3)
-	$ 3,262,583	$ 1,386	4.5%
-	3,143,695	1,329	4.4%
-	2,951,371	1,241	4.1%
-	3,137,786	1,311	4.3%
-	2,839,951	1,169	4.0%
-	2,537,050	1,030	3.6%
1,425,000	2,266,825	339	1.2%
1,295,000	2,342,157	421	1.5%
1,155,000	1,939,817	315	1.1%
1,015,000	1,599,702	233	0.7%

TOWN OF PANTEGO, TEXAS **TABLE 12**
NET GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Governmental Activities: General Obligation Bonds	Governmental Activities: Certificates of Obligation (3)	Less: Amounts Available in Debt Service Fund	Net General Bonded Debt	Percentage of Actual Taxable Value(1)	Per Capita (2)
2007	$ 710,000	$ 305,000	$ 514,164	$ 500,836	0.23%	$ 213
2008	625,000	285,000	507,277	402,723	0.17%	170
2009	535,000	265,000	503,300	296,700	0.13%	125
2010	445,000	245,000	278,241	411,759	0.19%	172
2011	355,000	220,000	254,460	320,540	0.14%	132
2012	260,000	195,000	254,323	200,677	0.09%	82
2013	160,000	170,000	240,981	89,019	0.04%	36
2014*	55,000	145,000	237,642	(37,642)	-0.02%	(15)
2015	-	120,000	235,327	(115,327)	-0.05%	(46)
2016	-	90,000	102,701	(12,701)	-0.01%	(5)

Notes:
Details regarding the Town's outstanding debt can be found in the notes to the financial statements.
(1) See Table 6 for taxable value of property data.
(2) See Table 16 for population and personal income data.
(3) Includes debt secured by a combination tax and revenue pledge.
These bonds are serviced completely by revenue streams other than general property taxes.

* As of the September 30, 2014, the Town has sufficient reserves in the Debt Service Fund to cover the entire remaining balance due on outstanding general bonded debt.

TOWN OF PANTEGO, TEXAS **TABLE 13**
DIRECT AND OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT
As of September 30, 2016
(Unaudited)

Governmental Unit	Tax Supported Debt Outstanding (1)	Estimated Percent Applicable (2)	Estimated Share of Direct and Overlapping Debt
Town of Pantego	$ 584,702	100%	$ 584,702
Total direct debt			$ 584,702
Tarrant County	368,058,000	0.28%	$ 1,017,178
Tarrant County Hospital District	42,485,000	0.03%	13,545
Tarrant County College District (3)	-	0.00%	-
Arlington ISD (4)	733,292,263	3.6%	26,160,365
Total overlapping debt			$ 27,191,089
Total direct and overlapping debt			$ 27,775,791
Ratio of overlapping bonded debt to taxable assessed valuation			11.18%
Per capita direct and overlapping debt			$ 11,088

Source: (1) Town records.
(2) Tarrant Appraisal District; estimated percentage is based on formula using assessed net taxable property values.
(3) Per AISD CAFR for fiscal year end June 30, 2016.
(4) There is no bonded debt outstanding for Tarrant County College District, as all bonds payable were paid off in February 2015.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Town of Pantego. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and, therefore, responsible for repaying the debt of each overlapping government.

TOWN OF PANTEGO, TEXAS **TABLE 14**
PEDC SALES TAX REVENUE
PLEDGED - REVENUE BOND COVERAGE
Last Ten Fiscal Years
(Unaudited)

	PANTEGO ECONOMIC DEVELOPMENT CORPORATION (PEDC)			
		Sales Tax Revenue Bonds		
Fiscal	Sales Tax	Debt Service		PEDC
Year	Collections	Principal	Interest	Bond Coverage (1)
2007	611,166	90,000	131,193	2.76
2008	585,539	90,000	127,466	2.69
2009	523,444	95,000	122,611	2.41
2010	431,065	95,000	155,547	1.72
2011	437,677	100,000	84,757	2.37
2012	434,746	110,000	79,709	2.29
2013	543,344	110,000	73,985	2.95
2014	563,969	130,000	68,006	2.85
2015	599,415	140,000	61,260	2.98
2016	652,983	140,000	54,401	3.36

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.
In 2010, PEDC refunded the sales tax revenue bonds.
(1) Bond covenants require a coverage of no less than 1.25.

TOWN OF PANTEGO, TEXAS **TABLE 15**
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Estimated Population (1)	Personal Income (thousands of dollars) (1)	Per Capita Income (2)	Median Age (1)	Public School Enrollment (3)	Unemployment Rate (4)
2007	2,354	71,729	30,471	44.9	3,999	4.4%
2008	2,365	72,064	30,471	44.9	3,978	4.9%
2009	2,378	72,460	30,471	44.9	4,139	7.5%
2010	2,394	72,948	30,471	49.9	4,194	8.2%
2011	2,430	71,000	29,218	45.2	4,176	7.9%
2012	2,462	71,000	28,838	45.2	4,185	6.9%
2013	2,480	71,000	28,629	45.2	4,258	6.3%
2014	2,485	69,851	28,110	42.4	4,219	5.3%
2015	2,494	71,052	28,489	45.6	4,312	4.7%
2016	2,505	86,929	34,702	47.4	4,126	4.0%

Sources:
(1) 2000 Census: 2006-2009 estimates; 2010 Census: 2011-2013 estimates; Nielsen Company Demographics: 2014, 2015 and 2016 estimate.
(2) Personal Income is derived by multiplying per capita income by the estimated population.
(3) Arlington Independent School District (AISD) - Student Demographic Reports. Includes enrollment for Hill Elementary, Bailey Junior High and Arlington High School, which are AISD schools zoned for the Town of Pantego.
(4) U.S. Department of Labor, Bureau of Labor Statistics - State of Texas Unemployment Statistics report.

TOWN OF PANTEGO, TEXAS **TABLE 16**
PRINCIPAL EMPLOYERS
Current and Ten Years Ago
(Unaudited)

	2007			2016	
Employer	**Employees**	**Rank**		**Employees**	**Rank**
Pantego Christian Academy	--	--	Pantego Christian Academy	150	1
Holiday Inn Club Vacations	--	--	Holiday Inn Club Vacations	100	2
Anton Cabinetry	100	3	Anton Cabinetry	97	3
Wal-Mart Neighborhood	125	2	Wal-Mart Neighborhood	93	4
Texas Pneumatic Systems	50	5	Texas Pneumatic Systems	65	5
ESP Services Heating & A/C	90	4	ESP Services Heating & A/C	36	6
The Waterford	30	--	The Waterford	32	7
Trojan Electric	20	--	Trojan Electric	26	8
Welden Mechanical Corporation	20	7	Welden Mechanical Corporation	22	9
Aldi Grocery Store	--	--	Aldi Grocery Store	12	10
Arctic Star	20	6	Arctic Star	12	10
Dollar Tree	--	--	Dollar Tree	12	10
Silverleaf Resort Center	400	1			
Total	855			657	

Sources: Town's Economic Development records.
Note: Total employment figures for the Town of Pantego were not available to calculate percentage of total city employment.

TOWN OF PANTEGO, TEXAS **TABLE 17**
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(Unaudited)

	FISCAL YEAR									
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Function/Program										
General and administrative										
City Manager	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
City Secretary	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Finance Director	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Accounts Payable/Payroll/HR	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Utility Billing Coordinator	1.0	1.0	1.0	-	-	-	-	-	-	-
Support Specialist	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	-
Public Safety Chief	-		-	-	-	-	1.0	1.0	-	-
Subtotal	7.0	7.0	7.0	6.0	6.0	6.0	7.0	7.0	6.0	4.0
Public Works										
Public Works Director	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Support Specialist	-	-	-	-	-	-	-	-	-	1.0
Building Inspector	1.0	1.0	1.0	1.0	1.0	1.0	-	-	-	-
Foreman	1.0	-	-	-	1.0	1.0	1.0	1.0	2.0	2.0
Public Works Worker	4.0	6.0	6.0	6.0	5.0	5.0	4.5	4.5	3.5	3.5
Subtotal	7.0	8.0	8.0	8.0	8.0	8.0	6.5	6.5	6.5	7.5
Community Development										
Community Development Director	-	-	-	-	-	-	1.0	1.0	1.0	1.0
Support Specialist	-	-	-	-	-	-	-	-	-	1.0
Subtotal	-	-	-	-	-	-	1.0	1.0	1.0	2.0
Police										
Police Chief	1.0	1.0	1.0	1.0	1.0	1.0	-	-	-	-
Public Safety Chief	-	-	-	-	-	-	-	-	0.5	0.5
Assistant Police Chief	-	-	-	-	-	-	1.0	1.0	1.0	1.0
Captain	1.0	1.0	1.0	-	-	-	-	-	-	-
Lieutenant	-	-	-	-	-	1.0	-	-	-	-
Sergeant	1.0	1.0	1.0	1.0	2.0	1.0	1.0	1.0	1.0	1.0
Detective	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Corporal	2.0	2.0	2.0	2.0	1.0	2.0	2.0	2.0	1.0	1.0
Officer	6.0	6.0	6.0	7.0	7.0	6.0	6.0	6.0	7.0	7.0
School Crossing Guard	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Dispatcher	5.0	5.0	5.0	6.0	6.0	6.0	5.5	5.5	5.0	5.0
Subtotal	17.5	17.5	17.5	18.5	18.5	18.5	17.0	17.0	17.0	17.0
Fire										
Fire Chief	1.0	1.0	1.0	1.0	1.0	1.0	-	-	-	-
Public Safety Chief	-	-	-	-	-	-	-	-	0.5	0.5
Assistant Fire Chief	-	-	-	-	-	-	1.0	1.0	1.0	1.0
Captain	1.0	1.0	-	-	-	-	-	-	-	-
Lieutenant	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Firefighter/Paramedic	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Subtotal	11.0	11.0	10.0	10.0	10.0	10.0	10.0	10.0	10.5	10.5
Municipal Court										
Court Administrator	-	-	-	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Court Clerk	1.0	1.0	1.0	-	-	-	-	-	-	-
Deputy Court Clerk	1.0	-	-	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Assistant Court Clerk	-	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Warrant Officer	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0
Subtotal	3.0	2.5	2.5	3.5	3.5	4.5	4.5	4.5	4.5	4.5
Total	45.5	46.0	45.0	46.0	46.0	47.0	46.0	46.0	45.5	45.5

Source: Town records.

TOWN OF PANTEGO, TEXAS **TABLE 18**
SCHEDULE OF INSURANCE POLICIES IN FORCE
AS OF SEPTEMBER 30, 2016
(Unaudited)

	AM Best Rating	Policy Number	Policy Period	Coverage	Deductibles	Liability Limits
Texas Municipal League Intergovernmental Risk Pool	A++	4039	10/1/15-10/1/16	General Liability	$ 5,000	$ 2,000,000
				Real & Personal Property	2,500	8,144,898
				Auto Liability	5,000	2,000,000
				Auto Physical Damage	1,000	Per schedule
				Law Enforcement Liability	5,000	2,000,000
				Errors & Omissions	5,000	1,000,000
				Workers' Compensation	N/A	500,000

Source: TML Intergovernmental Risk Pool
P.O. Box 149194, Austin, Texas 78714-9194

TOWN OF PANTEGO, TEXAS **TABLE 19**

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(Unaudited)

	FISCAL YEAR									
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Public safety										
Police										
Number of employees	17.5	17.5	17.5	18.5	18.5	18.5	17.0	17.0	17.0	17.0
Part 1 index crimes	135	122	151	168	145	157	162	144	117	108
Total calls	25,000	25,229	21,020	21,333	22,471	22,611	22,611	24,428	20,786	16,847
Crash reports	92	78	73	69	81	92	70	62	58	81
Citations	4,554	5,015	7,573	8,040	8,040	8,072	8,790	6,796	6,733	5,028
Warrants issued/CID	19	35	14	19	-	-	-	-	20	-
Total arrests	601	739	943	1,143	1,000	1,137	1,324	976	995	756
Fire										
Number of employees	11.0	11.0	10.0	10.0	10.0	10.0	10.0	10.0	10.5	11.0
Number of calls for service	1,253	1,734	1,994	1,280	1,472	1,476	1,521	1,700	1,855	1,876
Automatic and mutual aid	700	1,181	1,395	718	843	814	994	1,000	1,109	1,189
Inspections	*	264	688	807	710	367	709	799	711	1,027
Municipal Court										
Number of employees	3.0	2.5	2.5	3.5	3.5	4.5	4.5	4.5	4.5	4.5
Citations processed	7,000	7,194	7,573	9,876	5,736	7,780	9,462	6,591	6,943	6,144
Warrants processed	3,800	3,330	4,233	4,170	5,844	4,623	5,825	8,280	7,952	5,790
Public Works										
Number of employees	7.0	8.0	8.0	8.0	8.0	8.0	6.5	6.5	6.5	6.5
(1) Hours worked per function:										
Public works - utility billing	-	1,868	-	-	-	-	-	-	1,120	1,140
Public works - administration	719	-	652	467	866	1,171	2,035	1,806	2,990	2,964
Parks	1,791	-	2,399	2,797	1,881	1,729	1,950	1,616	1,978	2,004
Maintenance	1,202	-	1,671	1,110	821	805	1,406	1,392	7,070	7,068
Streets/Drainage	437	838	484	993	773	1,080	1,635	1,711	1,132	1,236
Animal control	184	224	158	139	109	194	154	214	202	36
Community Development										
Building Safety Inspections	326	507	430	411	413	599	669	559	682	375
Code Compliance Inspections	5	-	-	27	38	127	200	69	66	28
Commercial Permits Issued	93	70	91	88	66	103	112	123	119	122
Residential Permits Issued	116	192	118	86	85	118	129	124	127	133
Certificates of Occupancy Issued	70	77	90	86	90	72	93	93	115	176
Water and Sewer										
Number of water customers	1,173	1,174	1,174	1,184	1,192	1,197	1,193	1,187	1,197	1,210
Number of sewer connections	1,126	1,126	1,126	1,129	1,136	1,140	1,144	1,141	1,161	1,160
Number of solid waste customers	913	913	917	915	919	923	925	923	935	938
Number of recycling customers	865	865	866	865	867	873	875	872	886	886
Yearly water consumption (millions of gallons)	178.4	195.8	196.4	189.9	244.2	214.1	174.5	267.9	163.0	157.5
Yearly sewer usage (millions of gallons)	*	*	*	163.9	184.9	125.8	109.4	114.3	108.0	101.0

Source: Various Town departmental records.

Notes:

(1) Public works functions include parks, street, facilities maintenance, animal control services, water and wastewater operations, including utility billing.

* Information not available.

TOWN OF PANTEGO, TEXAS **TABLE 20**

CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(Unaudited)

	FISCAL YEAR									
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Police patrol units	6	6	6	6	6	6	6	6	6	6
Police admin units	2	2	2	2	2	2	2	2	1	2
Fire stations	1	1	1	1	1	1	1	1	1	1
Ambulance units	2	2	2	2	2	2	2	2	2	2
Fire engine units	2	2	2	2	2	2	2	2	2	2
Hazmat units	1	1	1	1	1	1	1	1	1	1
Fire admin units	3	3	3	3	3	3	3	3	3	3
Streets										
Streets (miles)	17.62	17.62	17.62	17.62	17.62	17.62	17.62	17.62	17.62	17.62
Traffic signals	8	8	8	8	8	8		8	8	8
Streetlights	237	237	237	237	237	237	237	237	237	237
Culture and recreation										
Parks	1	1	1	1	1	1	1	1	1	1
Park (acres)	7.69	7.69	7.69	7.69	7.69	7.69	7.69	7.69	7.69	7.69
Playgrounds	3	3	3	3	3	3	3	3	3	3
Basketball courts	2	2	2	2	2	2	2	2	2	2
Park pavilions	3	3	3	3	3	3	3	3	3	3
Water and sewer										
Miles of water main	23.5	23.5	23.5	23.5	23.5	23.5	23.5	23.5	23.5	23.5
Miles of sewer main	25.3	25.3	25.3	25.3	25.3	25.3	25.3	25.3	25.3	25.3
Water storage facilities	3	3	3	3	3	3	3	3	3	3
Number of fire hydrants	171	171	171	171	171	171	171	171	171	171

Source: Various Town departmental records.

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

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GMS CERTIFIED PUBLIC ACCOUNTANTS
GEORGE | MORGAN | SNEED

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Town of Pantego
Town of Pantego, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Town of Pantego, Texas (the "Town") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 15, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as item 2016-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Pantego, Texas's Response to Findings

Town of Pantego, Texas's response to the findings identified in our audit is described in the accompanying schedule of findings. Town of Pantego, Texas's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

George, Morgan & Creed, P.C.

Weatherford, Texas
March 15, 2017

Town of Pantego, Texas
Schedule of Findings
For the Fiscal Year Ended September 30, 2016

2016-001. Bank Reconciliations

Condition: At interim audit fieldwork on September 20, 2016 the bank reconciliation for the main operating account had not been completed for the months of February 2016 through August 2016.

Criteria: Bank reconciliations should be performed on a timely basis.

Cause: There was a change in Finance Directors and the new Finance Director did not perform the bank reconciliations until after the budget process was complete.

Possible Effect: A debt payment was double paid in August 2016 and was not caught until the bank reconciliation was performed in December 2016. Other reconciling items may not be timely addressed.

Views of Responsible Officials: When the new Finance Director started, all duties in this office were two months behind. In addition, the Finance Director was expected to perform several additional job duties previously assigned to the AP/Payroll/HR Coordinator position. The addition of new duties, along with the expectation of catching up all Finance Director duties, as well as, completing the annual budget process and year-end close made it impossible to complete bank reconciliations in a timely manner. All five bank reconciliations were caught up when the auditors returned for field work in January, and all accounts are reconciled in a timely manner at this time. Finally, this was not the cause of the double-payment of the debt payment, nor was it the reason for the delay in catching the error. The Bank reconciliation on this particular account was completed in September.

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